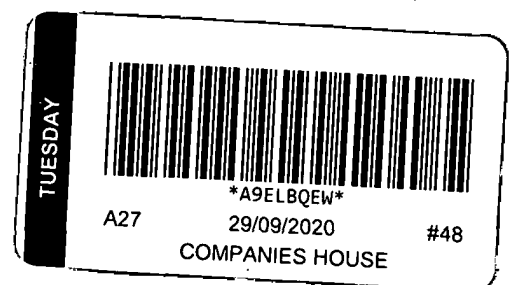


Company Registration No.: 03846469

Huntsman Advanced Materials (UK) Limited

**Annual Report and Financial Statements
for the Year Ended 31 December 2019**



HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

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HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

COMPANY INFORMATION for the Year Ended 31 December 2019

DIRECTORS:

K R Hall
G R Hodgson
J Lelong
P A P Verraes
S J Wright

COMPANY SECRETARY:

K R Hall

REGISTERED OFFICE:

Concordia House
Glenarm Road
Wynyard Business Park
Billingham
United Kingdom
TS22 5FB

REGISTERED NUMBER:

03846469 (England and Wales)

AUDITOR:

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
United Kingdom
LS1 2AL

BANKERS:

JP Morgan Chase Bank
25 Bank Street
London
E14 5JP
United Kingdom

HSBC Bank plc
8 Canada Square
London
E14 5HQ
United Kingdom

SOLICITORS:

Womble Bond Dickinson
St Ann's Wharf
112 Quayside
NE1 3DX
Newcastle upon Tyne
United Kingdom

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

STRATEGIC REPORT

for the Year Ended 31 December 2019

PRINCIPAL ACTIVITY

The company's principal activities are the development, manufacture and sale of performance polymers.

The role of Huntsman Advanced Materials (UK) Limited continues to be that of a toll manufacturer for the SBE (single business entity). The SBE is Huntsman Advanced Materials (Europe) BVBA. Services are also provided to Huntsman Advanced Materials (Switzerland) GmbH. Both companies are fellow group companies. Compensation is received by way of manufacturing and service agreements. The company will continue to be a toll manufacturer and service provider in the coming year.

REVIEW OF BUSINESS

The loss for the year, after taxation, amounted to £1,089,000 (2018: Loss £1,118,000). The directors do not recommend the payment of a dividend (2018: £nil).

The directors consider a number of key performance indicators (KPIs) including operating profit (2019: £857,000, 2018: £754,000) and interest payable (2019: £1,867,000, 2018: £1,754,000). These KPIs have been in line with expectations for the current and previous year.

The directors regard the position of the company at the year-end as acceptable. The net liability position has decreased during the year from £9,935,000 to £4,161,000. The underlying trading performance of the company is broadly consistent with the previous year (Loss before tax 2019: £1,089,000, 2018: £1,118,000) and in line with expectations. The company continues to align itself to its strategic markets and remains an integral part of the group.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

The company will continue to be a toll manufacturer and service provider.

There were no post balance sheet date events to the date of signing of this report, requiring disclosure.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risks are primarily related to development of the performance polymers markets. The outlook for the European and global polymers market growth remains positive. Imbalances in demand and supply are known to have impacts on price levels, both positive and negative.

The company's activities expose it to a number of financial risks, including cash flow risk and liquidity risk. The company does not use derivatives or financial instruments.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

STRATEGIC REPORT (continued) for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Management continues to closely monitor developments in relation to Brexit and the potential consequential political and economic uncertainties in order to mitigate any risks to the business.

Exchange rate risk

The company's activities expose it primarily to the risk of changes in foreign currency exchange rates. The company does not use foreign exchange forward contracts or interest rate swap contracts to hedge these exposures. Any foreign currency exchange risks are managed at group level.

Credit risk

The company's principal financial assets are bank balances and cash and intercompany trade and other receivables.

The company's credit risk is primarily attributable to its intercompany trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash flow risk and Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company is funded via a cash pooling arrangement with Huntsman group treasury.

Price risk

The company is not exposed to commodity price risk due to the toll manufacturing agreement.

Brexit

Huntsman group has undertaken a pan-European project to assess and address the implications of Brexit. The directors have drawn on this work and considered the possible implications of Brexit for the company in terms of the supply of labour, supply chain and customer base, import/export and tariff arrangements under a number of possible scenarios.

Based on this review the directors are of the opinion that, while Brexit has the potential to affect the business, the long-term nature of the company's manufacturing agreements that are the basis of the company's activities and the financial support available from Huntsman group make it reasonably likely that adverse impacts of Brexit can be managed for the foreseeable future.

The directors have considered the potential impact of the worldwide epidemic of Covid 19 on the company. It is acknowledged that persistent significant economic disruption may have the potential to disrupt the operations of the company. The directors have considered the financial position of the company and its liquidity in the context of the letter of support provided from Huntsman International LLC together with the strong cashflow position of the group as a whole and concluded that the company has access to sufficient resources for the foreseeable future.

Following the outbreak of Covid 19 the company has not sought or received financial assistance from the UK Government.

APPROVED ON BEHALF OF THE BOARD:



G R Hodgson
Director
28 September 2020

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

DIRECTORS' REPORT for the Year Ended 31 December 2019

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2019.

The Strategic Report discloses relevant information on financial risk management and review of business and forms part of this report by cross-reference.

DIRECTORS

The directors shown below have held office during the whole of the year from 1 January 2019 to the date of this report.

J Lelong
P A P Verraes
S J Wright
K R Hall
G R Hodgson

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors and directors of one or more fellow group subsidiaries which were made during the year and remain in force at the date of this report.

RESEARCH AND DEVELOPMENT

The company carries out research and development activities to develop its range of products. All amounts are expensed as incurred and £305,654 (2018: £130,390) was charged in the statement of comprehensive income in the year in respect of research and development activities.

PENSION

During 2011, a comprehensive review of the existing company pension arrangements was undertaken. The review concluded that it was no longer viable for the company to continue to provide future service pension benefits in a defined benefit form. This type of arrangement requires the company to assume all risk associated with providing for each associate's retirement. As such, the Huntsman Advanced Materials (UK) Pension Scheme was closed for new joiners on 31 December 2011 and for future service accrual was closed for existing members on 29 February 2012. A defined contribution arrangement has been in place since 1 March 2012. The company has agreed a deficit repayment plan to the defined benefit arrangement until 31 December 2021.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report and form part of this report by cross-reference.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the company, its cash flows and liquidity position are as set out in the attached financial statements. In addition, the Principal Risks and Uncertainties section in the Strategic Report details the main risks to the business. The company has net liabilities and, as it is part of a group cash-pooling arrangement, has access to considerable financial resources. The directors have obtained a letter of support from Huntsman International LLC to confirm that access to financial resources and support would be available to it for the next twelve months, should it need to call on this. The directors, in their consideration of going concern, have made assessments including the impact of Covid 19 and considered the ability of the parent to provide this support. Based on these assessments, the intragroup finance arrangements and the letter of support, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil). No dividend is proposed to be paid after the year end.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

DIRECTORS' REPORT (continued) for the Year Ended 31 December 2019

PRINCIPAL RISK AND UNCERTAINTIES

The Strategic Report contains details of principal risks and uncertainties affecting the business and forms part of this report by cross-reference.

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



G R Hodgson
Director
28 September 2020

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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. 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.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Huntsman Advanced Materials (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

Report on the audit of the financial statements (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Dave Johnson FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
Date: 28 September 2020

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER	3	13,408	14,443
Cost of Sales		(13,286)	(13,936)
GROSS PROFIT		122	507
Other operating income	4	735	247
OPERATING PROFIT	7	857	754
Interest payable and similar charges	8	(1,867)	(1,754)
Other finance costs	20	(79)	(118)
LOSS BEFORE TAXATION		(1,089)	(1,118)
Tax on loss	9	-	-
LOSS FOR THE FINANCIAL YEAR		(1,089)	(1,118)
Actuarial gain on defined benefit pension scheme	20	6,863	602
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		5,774	(516)

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

BALANCE SHEET

As at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
FIXED ASSETS					
Intangible assets	10		2		4
Tangible assets	11		<u>16,506</u>		<u>16,938</u>
			16,508		16,942
CURRENT ASSETS					
Stocks	12	288		312	
Debtors: Amounts falling due within one year	13	18,310		20,409	
Cash at bank and in hand		<u>30</u>		<u>-</u>	
		18,628		20,721	
CREDITORS: Amounts falling due within one year	14	<u>(44,302)</u>		<u>(42,781)</u>	
NET CURRENT LIABILITIES			<u>(25,674)</u>		<u>(22,060)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(9,166)		(5,118)
CREDITORS: Amounts falling due after more than one year	15		(84)		(189)
PENSION ASSET/(LIABILITY)	20		5,344		(4,292)
EMPLOYEE BENEFIT OBLIGATIONS	20		<u>(255)</u>		<u>(336)</u>
NET LIABILITIES			<u>(4,161)</u>		<u>(9,935)</u>
CAPITAL AND RESERVES					
Called-up share capital	18		15,375		15,375
Share premium account	19		13,444		13,444
Profit and loss account	19		<u>(32,980)</u>		<u>(38,754)</u>
SHAREHOLDER'S DEFICIT			<u>(4,161)</u>		<u>(9,935)</u>

The financial statements of Huntsman Advanced Materials (UK) Limited (registered number 03846469) on pages 9 to 26 were approved by the Board of Directors and authorised for issue on 28 September 2020 and were signed on its behalf by:

G R. 

G R Hodgson
Director

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY For the year-ended 31 December 2019

		Profit and loss account £'000	Called up Share capital £'000	Share premium £'000	Totals £'000
As at 31 December 2017		(38,238)	15,375	13,444	(9,419)
Loss for the year		(1,118)	-	-	(1,118)
Actuarial gain on pension scheme	20	<u>602</u>	<u>-</u>	<u>-</u>	<u>602</u>
Total comprehensive expense		<u>(516)</u>	<u>-</u>	<u>-</u>	<u>(516)</u>
At 31 December 2018		<u>(38,754)</u>	<u>15,375</u>	<u>13,444</u>	<u>(9,935)</u>
Loss for the year		(1,089)	-	-	(1,089)
Actuarial gain on pension scheme	20	<u>6,863</u>	<u>-</u>	<u>-</u>	<u>6,863</u>
Total comprehensive Income		<u>5,774</u>	<u>-</u>	<u>-</u>	<u>5,774</u>
At 31 December 2019		<u>(32,980)</u>	<u>15,375</u>	<u>13,444</u>	<u>(4,161)</u>

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES

The separate financial statements are prepared in accordance with applicable United Kingdom accounting standards which have been applied consistently in the current and preceding year. The particular accounting policies adopted by the directors are described below.

General information and basis of accounting

Huntsman Advanced Materials (UK) Limited is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The functional and presentational currency of Huntsman Advanced Materials (UK) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. Foreign operations are included in accordance with the policies set out below.

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Huntsman Advanced Materials (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

The results of Huntsman Advanced Materials (UK) Limited for the year ended 31 December 2019 have been consolidated in the financial statements of Huntsman International LLC, a company registered in the United States of America.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3. The Strategic Report also sets out the principal risks and uncertainties facing the company. The company has no external debt but is financed through an intercompany loan and an intercompany cash pooling arrangement. A letter of support has been received from Huntsman International LLC confirming their commitment to provide necessary financial support to the company as may be required for a period of up to 12 months from the date of these financial statements. The directors are not aware of any circumstances that would impact on the ability of Huntsman International LLC to provide the funds required to remain in operation for the foreseeable future taking into account reasonably possible changes in trading performance. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Post Balance Sheet Events

Events after the balance sheet date are described in the Strategic Report.

Turnover

Turnover represents the invoiced value of services provided in the normal course of business. Turnover excludes value added tax. Included in turnover is toll manufacture and service provider income from other group companies provided under service agreements with Huntsman Advanced Materials (Europe) BVBA and Huntsman Advanced Materials (Switzerland) GmbH. Income is recognised based on the cost incurred in the month plus the margin set out within the agreements.

Other Operating Income

Other operating income is recognised on an accruals basis in relation to income from the lease of property and recharges of corporate costs and secondees.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Goodwill

Purchased goodwill, being the difference between the fair value of consideration and the fair value of net assets acquired, is capitalised and amortised on a straight-line basis over a prudent estimate of the time that the company is estimated to benefit from it. Goodwill amortisation periods are determined on a case by case basis. Provision is made against the carrying value of goodwill where impairment in value is deemed to have occurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

	Estimated Life
Freehold property straight-line over	30-60 years
Plant and machinery as per note 11 straight-line over	4-25 years

No depreciation is charged on freehold land and assets in the course of construction are not depreciated until they are ready for use (under FRS102).

Provision is made against the carrying value of tangible fixed assets where impairment is deemed to have occurred.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Research and Development

Research and development expenditure is charged to the statement of comprehensive income as incurred. Fixed assets acquired for research and development purposes are capitalised and depreciated over their estimated useful economic life.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Leases (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. In accordance with the transitional provisions of FRS 102, lease incentives on leases which were in existence prior to the date of transition have been spread over the shorter of the lease term and the period to the first review date on which the rent is first expected to be adjusted to the prevailing market rate.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the year and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Where the company participates in a defined benefit plan that shares risks between companies under common control it obtains information about the plan as a whole measured in accordance with this FRS 102.28 on the basis of assumptions that apply to the plan as a whole. As the companies have a stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with FRS 102.28 to individual group companies, the company, in its individual financial statements, recognises the net defined benefit cost of a defined benefit plan so charged.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Foreign currencies

Transactions denominated in foreign currencies are translated into British Pounds at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into British Pounds at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The directors do not believe there to be any critical judgements in applying the group's accounting policies.

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation of uncertainty in the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key source of estimation uncertainty - deferred tax asset recognition

Due to reporting tax losses in previous years, the company has accumulated tax losses brought forward of £3,389,000. These tax losses can be offset against future taxable profits, and therefore represent a deferred tax asset to the company.

Under the requirements of FRS 102 Section 29 'Income Tax', unrelieved tax losses shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Estimating the future taxable profits of the company requires an assessment of the future forecasted outlook for the company. As a consequence of this assessment, as described in note 17, management have assumed that no losses can be recognised.

Key source of estimation uncertainty – actuarial assumptions

The accounting for employee benefit schemes included within note 20 is dependent on actuarial calculations that require assumptions about future events. The company is responsible for the selection of the assumptions, and has done so with the aid of actuarial advice. These assumptions are also disclosed within the relevant note. The assumptions used are within a range of possible assumptions that are reasonable for the purposes for which they have been used, however, other assumptions may also be reasonable and appropriate although their use would produce different results.

3. TURNOVER

	2019 £'000	2018 £'000
Toll manufacturing and services income	13,408	14,443

Turnover relates to work performed as a toll manufacturer for Huntsman Advanced Materials (Europe) BVBA and Huntsman Advanced Materials (Switzerland) GmbH.

4. OTHER OPERATING INCOME

	2019 £'000	2018 £'000
Other operating income	735	247

This income includes charges which do not directly relate to the entity as a toll manufacturer. These include items such as the recharging of intercompany services, global cost sharing, and the charging of site services to local businesses occupying the same business site.

5. STAFF COSTS

	2019 £'000	2018 £'000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	5,648	5,499
Social security costs	603	563
Pension costs (note 20):		
Defined contribution pension scheme	530	529
	6,781	6,591

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **for the Year Ended 31 December 2019**

5. STAFF COSTS (continued)

The average monthly number of employees, including the directors, during the year, was as follows

	2019 No.	2018 No.
Marketing and distribution	2	2
General and administration	13	14
Production	112	103
	<u>127</u>	<u>119</u>

6. DIRECTORS' EMOLUMENTS

	2019 £'000	2018 £'000
Emoluments excluding pension contributions	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>

Emoluments of highest paid director including pension contributions

	<u>-</u>	<u>-</u>
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The highest paid director is not a member of a defined benefit pension scheme and therefore has no accrued entitlements or accrued lump sum at the end of the year.

Retirement benefits are not accruing to any directors (2018: nil) under a defined benefit pension scheme.

Other directors' emoluments (which do not relate to the services provided by them to the company) are borne by other group companies.

7. OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit is stated after charging/(crediting):		
Amortisation - intangible fixed assets (note 10)	2	3
Depreciation of tangible fixed assets:		
- Owned by company (note 11)	1,637	1,605
- Finance lease assets (note 11)	82	82
Auditor's remuneration		
- Annual financial statements	14	14
- Taxation advisory services	-	-
- Taxation compliance	3	3
Operating lease rentals:		
- Other operating leases	273	210
Difference on foreign exchange	(91)	80
Research and development expenditure	306	130
Restructuring costs	-	-

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

7. OPERATING PROFIT (continued)

Amortisation of intangible assets and depreciation of fixed assets are included in operating expenses.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Interest on balances with group undertakings	1,850	1,730
Lease interest	<u>17</u>	<u>24</u>
	<u>1,867</u>	<u>1,754</u>

9. TAXATION

	2019 £'000	2018 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on loss for the year at 19.00% (2018: 19.00%)	<u>-</u>	<u>-</u>
Deferred taxation		
Deferred tax charge/(credit)	<u>-</u>	<u>-</u>
Total tax on loss	<u>-</u>	<u>-</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2018: 19.00%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £'000	2018 £'000
Loss before tax	<u>(1,089)</u>	<u>(1,118)</u>
Tax on loss at standard UK corporation tax rate of 19.00% (2018: 19.00%)	<u>(207)</u>	<u>(212)</u>
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	200	-
Surrender of group relief	7	212
Change in unrecognised deferred tax assets	<u>-</u>	<u>-</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

10. INTANGIBLE ASSETS

	Goodwill £'000
COST	
At 1 January 2019 and 31 December 2019	<u>4,942</u>
AMORTISATION	
At 1 January 2019	4,938
Amortisation for year	<u>2</u>
At 31 December 2019	<u>4,940</u>
NET BOOK VALUE	
At 31 December 2019	<u>2</u>
At 31 December 2018	<u>4</u>

The goodwill disclosed relates to the acquisition of certain branches of Ciba Speciality Chemicals AG and certain assets from the production line of Roehm GmbH, acquired in 2000 and 2001 respectively. The goodwill is linked to the on-going Agomet adhesives sales of the Huntsman Advanced Materials division and the Directors believe that the initial goodwill acquired will continue to add value to the company for a further one year from the balance sheet date.

Impairment of £nil (2018: £nil) has been recognised in the year to bring the carrying value of the intangible asset to its expected recoverable amount.

11. TANGIBLE ASSETS

	Freehold property £'000	Land £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
COST					
At 1 January 2019	12,544	2,999	40,014	987	56,544
Additions	77	-	503	625	1,205
Disposals	-	-	(73)	-	(73)
Reclassification/transfer	<u>406</u>	<u>-</u>	<u>424</u>	<u>(830)</u>	<u>-</u>
At 31 December 2019	<u>13,027</u>	<u>2,999</u>	<u>40,868</u>	<u>782</u>	<u>57,676</u>
DEPRECIATION					
At 1 January 2019	9,312	-	30,294	-	39,606
Charge for year	229	-	1,408	-	1,637
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(73)</u>	<u>-</u>	<u>(73)</u>
At 31 December 2019	<u>9,541</u>	<u>-</u>	<u>31,629</u>	<u>-</u>	<u>41,170</u>
NET BOOK VALUE					
At 31 December 2019	<u>3,486</u>	<u>2,999</u>	<u>9,239</u>	<u>782</u>	<u>16,506</u>
At 31 December 2018	<u>3,232</u>	<u>2,999</u>	<u>9,720</u>	<u>987</u>	<u>16,938</u>

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

11. TANGIBLE ASSETS (continued)

Included in plant and machinery are assets held under finance leases (see note 16), as follows:

	2019 £'000	2018 £'000
Cost	820	820
Accumulated depreciation	(663)	(581)
Net book value	<u>157</u>	<u>239</u>

12. STOCKS

	2019 £'000	2018 £'000
Consumable spares	<u>288</u>	<u>312</u>

The difference between purchase price or production cost of stocks and their replacement cost is not considered to be material.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade debtors	284	
Amounts owed by group undertakings	17,329	19,778
Other debtors	154	229
Prepayments and accrued income	<u>543</u>	<u>402</u>
	<u>18,310</u>	<u>20,409</u>

Amounts owed by group undertakings are not interest-bearing, are unsecured and are repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Finance leases (see note 16)	105	98
Trade creditors	969	1,278
Amounts owed to group undertakings	42,413	40,055
Taxation and social security	68	75
Accruals and deferred income	256	312
Payroll accruals	274	410
Capital accruals	217	553
	<u>44,302</u>	<u>42,781</u>

Within amounts owed to group undertakings are loans totalling £28,500,000 (2018: £28,500,000) that, though provided for long-term funding, are repayable on demand. The loans bear interest at a rate of the lender's cost of capital plus one eighth of one percent. The remainder of the amounts owed to group undertakings are not interest-bearing and are repayable on demand. All items are unsecured.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Finance leases (note 16)	<u>84</u>	<u>189</u>

16. OBLIGATIONS UNDER LEASING AGREEMENTS

	Finance leases	
	2019 £'000	2018 £'000
Net obligations repayable:		
Within one year	105	98
Between one and five years	<u>84</u>	<u>189</u>
	<u>189</u>	<u>287</u>

At 31 December 2019 the company had total future minimum lease payments under non-cancellable operating leases as follows:

	2019		2018	
	Vehicles £'000	Other £'000	Vehicles £'000	Other £'000
Expiry date:				
- Within one year	21	175	21	175
- Between one and two years	10	175	21	175
- Between two and five years	<u>10</u>	<u>248</u>	<u>10</u>	<u>419</u>
	<u>41</u>	<u>598</u>	<u>52</u>	<u>769</u>

The present value of the future minimum lease payments is £601,000.

17. DEFERRED TAX

A deferred tax asset of £2,095,000 has not been recognised in 2019 (2018: £1,713,000 asset) in relation to timing differences and losses. An additional deferred tax asset of £1,063,000 has not been recognised (2018: £787,000 asset) in respect of the pension liability on the pension scheme. The directors are of the opinion, based on the recent and forecast trading, that the level of profits arising in future financial years will be insufficient to utilise the potential deferred tax assets at 31 December 2019.

18. CALLED-UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
999,813,362 - ordinary shares of £0.00001 each	10	10
2 - "A" ordinary shares of £0.00001 each	-	-
15,365,000 - "B" ordinary shares of £1 each	<u>15,365</u>	<u>15,365</u>
	<u>15,375</u>	<u>15,375</u>

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

18. CALLED-UP SHARE CAPITAL (continued)

The company has three classes of ordinary share which each carry no right to fixed income. There are no restrictions on each class of shares and no shares reserved for issue under options or contracts for the sale of shares.

19. RESERVES

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments. The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

20. PENSION AND EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined Benefit Pension Scheme

The Huntsman Advanced Materials (UK) Pension Scheme is a funded Group defined benefit pension scheme, for all qualifying employees. The principal employer for the scheme is Huntsman Advanced Materials (UK) Limited. The policy for disclosing costs and contributions of the HAM scheme is that 100% of the costs and contributions are recognised by Huntsman Advanced Materials (UK) Limited. The defined benefit pension scheme was closed for new joiners on 31 December 2011 and for future service accrual closed for existing members on 29 February 2012. After this date there is no additional service cost. The company will maintain the link between the pension accrued up to the date of closure and future salary growth.

The Scheme is funded with assets held in a trust separate from the companies' assets and managed by a separate Trustees. Funding is agreed between the companies and the Trustees every three years. The last full actuarial valuation was conducted by the Scheme Actuary as at 1 January 2017 and approved by the company and the Trustees on 28 March 2018. Under the Recovery Plan agreed with the Trustees, the Company aims to eliminate the current deficit by 31 December 2021, which remains unchanged from the previous Recovery Plan. The company and Trustees will monitor funding levels annually and the Recovery Plan will be reviewed every 3 years during the formal actuarial valuation process. The next actuarial valuation is due as at 1 January 2020.

The pension disclosures included in the financial statements are produced by the Company's Actuarial advisers and are based on a full data submission as at 31 December 2015 rolled forward to 31 December 2019.

Based on actuarial advice, the key assumptions used to calculate the plan liabilities were:

	2019	2018
Discount rate	1.90%	2.70%
Rate of salary increases	4.00%	4.10%
Future pension increases	2.85%	2.90%
Inflation assumption - RPI	3.00%	3.10%
Inflation assumption - CPI	2.20%	2.10%

The assumed life expectancy in years for pension scheme members, at age 65 is as follows:

	Male		Female	
	2019	2018	2019	2018
Current pensioners aged 65	21.5	22.6	23.5	24.8
Future pensioner at age 65 (aged 45 now)	22.8	24.4	24.9	26.7

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

20. PENSION AND EMPLOYEE BENEFIT OBLIGATIONS (continued)

(a) Defined Benefit Pension Scheme (continued)

The amounts recognised in the balance sheet are as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	(107,733)	(97,706)
Fair value of plan assets	<u>113,077</u>	<u>93,414</u>
Surplus/(Deficit)	<u>5,344</u>	<u>(4,292)</u>

The amounts recognised in profit or loss are as follows:

	2019 £'000	2018 £'000
Net interest on net defined benefit liability (within other finance costs)	<u>227</u>	<u>1,085</u>

Movements in the present value of the defined benefit obligation were as follows:

	2019 £'000	2018 £'000
At 1 January	97,706	102,705
Net interest cost	2,695	2,434
GMP Equalisation	3,361	967
Actuarial loss/(gain)	6,479	(5,835)
Benefits paid	<u>(2,508)</u>	<u>(2,565)</u>
At 31 December	<u>107,733</u>	<u>97,706</u>

Changes in the fair value of scheme assets are as follows:

	2019 £'000	2018 £'000
Opening fair value of scheme assets	93,414	96,696
Contributions by employer	3,000	2,200
Actual return on scheme assets	2,616	2,316
Scheme introductions and changes	3,213	-
Actuarial gains/(loss)	13,342	(5,233)
Benefits paid	<u>(2,508)</u>	<u>(2,565)</u>
	<u>113,077</u>	<u>93,414</u>

The market value of the scheme assets are as follows:

	2019 £'000	2018 £'000
Equities	12,122	16,861
Bonds	13,694	71,359
Sterling Liquidity Fund	<u>87,261</u>	<u>5,194</u>
	<u>113,077</u>	<u>93,414</u>

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

20. PENSION AND EMPLOYEE BENEFIT OBLIGATIONS (continued)

(b) Provision for post-retirement medical benefits

The provision relates to historic post-retirement benefits offered to ex-employees. The benefit is not available to current or future employees and the directors are therefore satisfied that the provision remains materially accurate at 31 December 2019. The method of accounting and the assumptions are similar to those used for the above defined benefit schemes.

In addition to the assumption above, the discount rate used to assess the present value of the future obligations is the internally calculated Huntsman weighted-average cost-of-capital (WACC) of 8.00% (2018: 10.00%). Future healthcare costs are estimated to rise in line with inflation.

A full actuarial valuation was carried out at 31 December 2001 by a qualified independent actuary. In the opinion of the directors, the costs involved to obtain a current full actuarial valuation is considered to exceed the benefits obtained. £50,000 contributions were made to the scheme in the year (2018: £58,000).

The amounts recognised in the balance sheet are as follows:

	2019 £'000	2018 £'000
Present value of unfunded obligations brought forward	(336)	(363)
Healthcare costs paid	50	58
Adjustment	<u>31</u>	<u>(31)</u>
Present value of unfunded obligations carried forward	<u>(255)</u>	<u>(336)</u>

The amounts recognised in cost of sales expenses within the profit or loss is as follows:

	2019 £'000	2018 £'000
Post-retirement medical expenses	<u>26</u>	<u>26</u>

(c) Defined contribution scheme

The company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions. The company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £530,000 (2018: £529,000) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2019 there were no contributions due in respect of the current reporting period, which had not been paid over to the schemes.

HUNTSMAN ADVANCED MATERIALS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2019

21. ULTIMATE PARENT COMPANY

As at 31 December 2019, Huntsman Corporation, a company registered in the United States, was the ultimate parent undertaking and controlling party. The immediate parent company is Huntsman Advanced Materials Holdings (UK) Limited, a company registered in the United Kingdom.

Huntsman International LLC, a company registered in the United States, is the parent of the smallest group of which the company is a member and for which consolidated financial statements are prepared. Huntsman Corporation is the parent of the largest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements of Huntsman International LLC and Huntsman Corporation can be obtained from the group's website at www.huntsman.com.

Huntsman International LLC and Huntsman Corporation have their corporate headquarters at 10003 Woodloch Forest Drive, The Woodlands, Texas, 77380, USA.

22. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption available to wholly-owned group companies within FRS 102 Section 33 "Related Party Disclosures" which allows it not to disclose transactions with Huntsman International entities or investees of Huntsman International qualifying as related parties.