

Company Registration No. 04056146

Huntsman Surface Sciences UK Limited

Annual Report and Financial Statements for the Year Ended 31 December 2020



HUNTSMAN SURFACE SCIENCES UK LIMITED

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HUNTSMAN SURFACE SCIENCES UK LIMITED

COMPANY INFORMATION

for the Year Ended 31 December 2020

DIRECTORS:

G M C Fonck
K R Hall
G R Hodgson

COMPANY SECRETARY:

K R Hall

REGISTERED OFFICE:

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

REGISTERED NUMBER:

04056146 (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

SOLICITORS:

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

HUNTSMAN SURFACE SCIENCES UK LIMITED

STRATEGIC REPORT

for the Year Ended 31 December 2020

PRINCIPAL ACTIVITY

The principal activity of the company during the year was as the principal employing entity for Huntsman's UK employees, seconding staff to other Huntsman UK entities. The company also provides marketing, selling and technical services for performance chemicals, including surface-active products and textile chemicals.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown on page 10 in the financial statements. The results are consistent with the directors' expectations for trading in 2020.

The key objective of the business is to achieve positive net assets therefore the net assets balance is the key performance indicator. Due to on-going cash outflows in relation to staff expenditure, the company continues to utilise the group wide treasury function and consequently is in a net liability position of £26,013,000 (2019: £23,827,000 liability). During the year the company made a loss after taxation of £1,315,000 (2019: £2,098,000 loss). The company made an actuarial loss on the pension scheme of £871,000 (2019: £5,014,000 loss) which increased the company's net liabilities position as at 31 December 2020. The directors regard the KPIs of the company as acceptable in the context of the principal risks and uncertainties described below. There are no non-financial KPIs.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

The company will continue to provide marketing, selling and technical services.

There were no material post balance sheet date events as at the date of signing of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressures in the UK and overseas are a continuing risk to the company. The Huntsman group deals with these risks by managing purchases and production across the group.

Brexit

Huntsman group has undertaken a pan-European project to assess and address the risks of Brexit together with external professional advisors. 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. Some of the company's employees spend part of their employment working in Continental Europe. Based on their review of the business the directors are of the opinion that, while Brexit will affect freedom of movement, there are work arounds that should mitigate or substantially mitigate the impact on the company in the foreseeable future.

Covid 19

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 UK Government financial assistance.

Liquidity risk

Liquidity risk relating to working capital funding, is limited as there is no owned stock. What risk remains is mitigated as the majority of working capital is inter-company. Cash is managed on a group-wide basis to meet the group's cash requirements. Cash flow risk relating to third parties is managed through the careful review of supplier credit terms.

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 and interest rate swap contracts to hedge these exposures. Any foreign currency exchange risks are managed at group level.

HUNTSMAN SURFACE SCIENCES UK LIMITED

STRATEGIC REPORT

for the Year Ended 31 December 2020 (continued)

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.

The company's credit risk is limited as exposure is spread over a number of group companies where risk is lower.

APPROVED ON BEHALF OF THE BOARD:

G R. 

.....
G R Hodgson

Director

24 September 2021

HUNTSMAN SURFACE SCIENCES UK LIMITED

DIRECTORS' REPORT

for the Year Ended 31 December 2020

The directors present their annual report on the affairs of Huntsman Surface Sciences UK Limited ('the Company') together with the audited financial statements of the company for the year ended 31 December 2020.

The Strategic Report discloses relevant information on risk management and review of business.

DIRECTORS

Except where stated otherwise the directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M Carter (resigned 6 April 2020)

G M C Fonck

K R Hall

G R Hodgson

DIRECTORS' INDEMNITIES

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

PENSION

The company has a defined benefit pension scheme, of which details can be found within note 14. A defined contribution arrangement was in place from 1 March 2012. The company has agreed a deficit repayment plan until 31 January 2024 to reduce the deficit generated by those defined benefit schemes which remain in a deficit position.

GOING CONCERN

The current economic climate is impacting the company as outlined in the Strategic Report. The company has no external debt but is financed through an intercompany loan and through an intercompany cash pooling arrangement. A letter of support has been received from Huntsman International LLC confirming its commitment to provide necessary financial support to the company as may be required. The directors are not aware of any reasonably possible circumstances that would impact on the ability of Huntsman International LLC to provide the funds required for the company to remain in operation for the foreseeable future taking into account reasonable possible changes in trading performance. As a result the directors have concluded that the company remains a going concern.

RESEARCH AND DEVELOPMENT

The Company's staff contribute various technical specialisms across the Huntsman Group but the Company does not conduct novel research and development on its own account. The Company invests appropriately in the training and development of its staff to enhance their contribution to the group's activities.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that the company is subject to are described in the Strategic Report and form part of this report by cross-reference.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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.

DIVIDENDS

No interim dividend has been paid for the financial year (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

HUNTSMAN SURFACE SCIENCES UK LIMITED

**DIRECTORS' REPORT (continued)
for the Year Ended 31 December 2020**

AUDITOR

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

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.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events after the balance sheet date are included in the strategic report and form part of this directors' report by cross-reference.

APPROVED ON BEHALF OF THE BOARD:



.....
G R Hodgson
Director
24 September 2021

HUNTSMAN SURFACE SCIENCES 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 SURFACE SCIENCES UK LIMITED

Independent auditor's report to the members of Huntsman Surface Sciences UK Limited

Opinion

In our opinion the financial statements of Huntsman Surface Sciences (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 17.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

HUNTSMAN SURFACE SCIENCES UK LIMITED

Independent auditor's report to the members of Huntsman Surface Sciences UK Limited (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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

HUNTSMAN SURFACE SCIENCES UK LIMITED

Independent auditor's report to the members of Huntsman Surface Sciences UK Limited (continued)

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

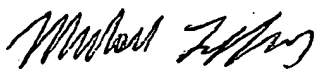
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Michael Jeffrey FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
27 September 2021

HUNTSMAN SURFACE SCIENCES UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	2,336	1,705
Cost of sales		<u>(2,290)</u>	<u>(1,967)</u>
GROSS PROFIT/LOSS		46	(262)
Administrative expenses		<u>(662)</u>	<u>(1,250)</u>
OPERATING LOSS	6	(616)	(1,512)
Interest receivable and similar income	7	2	76
Interest payable and similar expenses	8	<u>(701)</u>	<u>(662)</u>
LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		(1,315)	(2,098)
Tax on loss	9	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		(1,315)	(2,098)
Actuarial loss on pension scheme	14	<u>(871)</u>	<u>(5,014)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		<u><u>(2,186)</u></u>	<u><u>(7,112)</u></u>

HUNTSMAN SURFACE SCIENCES UK LIMITED

BALANCE SHEET

As at 31 December 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible Assets	10	14	21
CURRENT ASSETS			
Debtors: Amounts falling due within one year	11	885	538
CREDITORS: Amounts falling due within one year	12	<u>(27,399)</u>	<u>(23,331)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES		(26,500)	(23,827)
PENSION SURPLUS/(LIABILITY)	14	<u>487</u>	<u>(1,055)</u>
NET LIABILITIES		<u>(26,013)</u>	<u>(23,827)</u>
CAPITAL AND RESERVES			
Called-up share capital	13	95,465	95,465
Share premium account	13	25,467	25,467
Profit and loss account		<u>(146,945)</u>	<u>(144,759)</u>
ACCUMULATED DEFICIT		<u>(26,013)</u>	<u>(23,827)</u>

The financial statements of Huntsman Surface Sciences UK Limited (registered number: 04056146) on pages 10 to 24 were approved by the Board of Directors and authorised for issue on 24 September 2021 and were signed on its behalf by:

G R. 

.....
G R Hodgson
Director

HUNTSMAN SURFACE SCIENCES UK LIMITED

STATEMENT OF CHANGES IN EQUITY For the year-ended 31 December 2020

		Profit and loss account £'000	Share Premium £'000	Called-up Share Capital £'000	Total £'000
At 1 January 2019		<u>(137,647)</u>	<u>25,467</u>	<u>95,465</u>	<u>(16,715)</u>
Loss for the financial year		(2,098)	-	-	(2,098)
Actuarial loss on pension scheme	14	<u>(5,014)</u>	<u>-</u>	<u>-</u>	<u>(5,014)</u>
Total comprehensive expense		<u>(7,112)</u>	<u>-</u>	<u>-</u>	<u>(7,112)</u>
As at 31 December 2019		<u>(144,759)</u>	<u>25,467</u>	<u>95,465</u>	<u>(23,827)</u>
Loss for the financial year		(1,315)	-	-	(1,315)
Actuarial loss on pension scheme	14	<u>(871)</u>	<u>-</u>	<u>-</u>	<u>(871)</u>
Total comprehensive expense		<u>(2,186)</u>	<u>-</u>	<u>-</u>	<u>(2,186)</u>
As at 31 December 2020		<u>(146,945)</u>	<u>25,467</u>	<u>95,465</u>	<u>(26,013)</u>

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 31 December 2020

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 Surface Sciences 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 page 2.

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

The functional and presentational currency of Huntsman Surface Sciences UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Huntsman Surface Sciences 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 presentation of a cash flow statement, financial instruments, share based payments, intra-group transactions and remuneration of key management personnel.

The results of Huntsman Surface Sciences UK Limited for the year ended 31 December 2020 have been consolidated in the financial statements of Huntsman Corporation, a company registered in the United States of America. Copies of the financial statements of Huntsman Corporation are available from the company's website at www.huntsman.com.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out within 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 on page 2 details the main risks to the business. The company is part of a group cash-pooling arrangement and 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 impact of Covid-19. Based on these assessments, the intra-group finance arrangements and 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.

Turnover and revenue recognition

Turnover represents the invoiced value of services provided in the normal course of business. Turnover excludes value added tax. Turnover from the supply of services represents the value of services provided under service agreements with Huntsman Advanced Materials (Switzerland) GmbH and Huntsman Holland B.V. to the extent that there is a right to consideration and is recorded at the value of the consideration due.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

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, in equal instalments over their expected useful lives on the following basis:

	Estimated Life
Computer equipment	5 years

Computer equipment is depreciated at 25% per year on a straight-line basis.

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

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 at 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.

Leases

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.

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.

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.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into pounds sterling 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 statement of comprehensive income.

Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount receivable can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable to the financial asset. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Interest payable

Interest payable is recognised when it is probable that the economic benefits will flow from the company and the amount payable can be measured reliably. Interest payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable to the financial liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to the liability's net carrying amount on initial recognition.

2. 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 on-going 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 estimates in applying the company's accounting policies

The following are the critical estimations that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – actuarial assumptions

The accounting for employee benefit schemes included within note 14 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.

There are no critical judgements.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

3. TURNOVER

In 2020 and 2019 turnover primarily relates to secondment charges of personnel supplied to a group company in Switzerland and for the textile chemicals business. All remaining turnover in both years relates to the manufacturing and distribution of performance chemicals. An analysis of turnover by destination is set out below:

	2020 £'000	2019 £'000
Geographical analysis of turnover		
Europe	2,336	1,705
	<u>2,336</u>	<u>1,705</u>

4. STAFF COSTS

	2020 £'000	2019 £'000
Staff costs during the year were as follows:		
Wages and salaries	1,083	1,181
Social security costs	405	343
Pension costs (note 14)	320	70
	<u>1,808</u>	<u>1,594</u>

	2020 No.	2019 No.
Monthly average number of people employed by the company during the year net of persons recharged to other entities was as follows (excluding directors):	38	38
	<u>38</u>	<u>38</u>

All staff are administrative staff.
Costs are stated net of recharges to other group companies.

5. DIRECTORS' EMOLUMENTS

	2020 £'000	2019 £'000
Directors' emoluments		
Management services (excluding pension contributions)	636	474
	<u>636</u>	<u>474</u>
Remuneration of the highest paid director	376	147
	<u>376</u>	<u>147</u>

Pension contributions of the highest paid director were £nil (2019: £23,000).

Three directors were paid through the company. The other director was remunerated by another Huntsman group company. All directors are remunerated for their services to the group as a whole; it is not practicable to allocate their remuneration between services to the company and services to the group as a whole.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **for the Year Ended 31 December 2020**

6. OPERATING LOSS

	2020 £'000	2019 £'000
The operating loss is arrived at after charging/(crediting):		
Rentals under operating leases – vehicles	6	16
Exchange losses/(gains)	99	(51)
Auditor's remuneration		
- Fees payable to the company's auditor for the audit of the company's annual financial statements	16	13
- Tax advisory services	56	8
- Tax compliance services	<u>7</u>	<u>39</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Other finance income (see note 14)	<u>2</u>	<u>76</u>
	<u><u>2</u></u>	<u><u>76</u></u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Intercompany interest	701	662
Other finance costs (See note 14)	<u>-</u>	<u>-</u>
	<u><u>701</u></u>	<u><u>662</u></u>

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

9. TAX ON LOSS

	2020 £'000	2019 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on loss for the year at 19.00% (2019: 19.00%)	-	-
Deferred taxation		
Deferred tax charge/(credit)	-	-
Total tax on loss	-	-

The standard rate of tax applied to reported loss is 19.00% (2019: 19.00%) following the substantive enactment of the Finance Act 2020.

In March 2021 it was announced in the UK Government's budget that the rate of corporation tax will increase to 25% with effect from April 2023.

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 loss before tax is as follows:

	2020 £'000	2019 £'000
Loss before tax	(1,315)	(2,098)
Tax on loss at standard UK corporation tax rate of 19.00% (2019: 19.00%)	(250)	(399)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	(456)	363
Group relief surrendered	706	36
Movement on unrecognised deferred tax	-	-
Total tax charge for the year	-	-

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2019: £nil).

A deferred tax asset of £2,448,000 has not been recognised in 2020 (2019: £2,443,000 asset) in relation to timing differences. An additional deferred tax asset of £5,961,000 has not been recognised (2019: £5,375,000 asset not recognised) in respect of the accumulated trade losses and a deferred tax liability of £93,000 (2019: £201,000 deferred tax asset recognised) has not been recognised in relation to retirement benefit obligations. 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 2020.

Finance Act 2020, which was substantively enacted on 22 July 2020, included provisions to maintain the rate of corporation tax at 19% with effect from 1 April 2020. Accordingly, deferred tax balances are stated at 19% in the financial statements.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

10. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Total £'000
COST		
At 1 January 2020	4,693	4,693
At 31 December 2020	4,693	4,693
DEPRECIATION		
At 1 January 2020	4,672	4,672
Depreciation charge for the year	7	7
At 31 December 2020	4,679	4,679
NET BOOK VALUE		
At 31 December 2020	14	14
At 31 December 2019	21	21

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts owed by group undertakings	737	450
Other debtors	136	76
Prepayments and accrued income	12	12
	885	538

Amounts owed by group undertakings are trading balances. These not interest bearing and are repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	147	398
Amounts owed to group undertakings	26,830	22,368
Accruals	342	468
Taxation and social security	80	97
	27,399	23,331

Included in amounts owed by group undertakings are £26,830,000 of unsecured balances on intra-group current accounts that have accrued interest charges averaging 2.8% in the year and are repayable on demand.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

13. CALLED-UP SHARE CAPITAL AND RESERVES

	2020 £'000	2019 £'000
Allotted, called-up and fully paid:		
95,465,139 - ordinary shares of £1 each	95,465	95,465

The company has one class of ordinary share which carries no right to fixed income.
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.

14. PENSION SURPLUS

Pension arrangements

The company participated in the schemes described below. Except as noted below, where a scheme served more than one group company, payments, contributions and liabilities were recognised on the basis of the membership of the scheme.

a) The Huntsman Pension Scheme

The Huntsman Pension Scheme is a funded Group defined benefit pension scheme, for all qualifying employees. The principal employer for the scheme is Huntsman Polyurethanes (UK) Ventures Limited, with the participating employers, including Huntsman Surface Sciences 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 last full actuarial valuation was conducted by the Scheme Actuary as at 31 March 2018. Under the Recovery Plan agreed with the Scheme Trustee, the Company aims to eliminate the current deficit by 31 January 2024. The Company and Trustee 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 31 March 2021.

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 2018 rolled forward to 31 December 2020.

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

	2020	2019
Discount rate	1.30%	1.90%
Rate of salary increases	3.80%	4.00%
Future pension increases	2.70%	2.85%
Inflation assumption - RPI	2.80%	3.00%
Inflation assumption - CPI	2.40%	2.20%

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

	Male		Female	
	2020	2019	2020	2019
Current pensioners aged 65	21.9	21.8	23.7	23.7
Future pensioner at age 65 (aged 45 now)	23.8	23.8	25.6	25.6

b) The Huntsman Advanced Materials (UK) Pension Scheme

With effect from 1 January 2019, following a reorganisation of responsibilities for pensioners, the company ceased to participate in the Huntsman Advanced Materials (UK) Pension Scheme.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

14. PENSION SURPLUS (continued)

Pension disclosures:

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Present value of funded obligations	(102,078)	(94,658)
Fair value of plan assets	<u>102,565</u>	<u>93,603</u>
Net pension surplus/(deficit)	<u>487</u>	<u>(1,055)</u>

The consolidated position in respect of the company's membership of the two schemes is described below:

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Net interest on net defined benefit liability (within other finance income)	(3)	(76)
Net interest on net defined benefit liability (within other finance cost)	-	-
GMP equalisation (within administration costs)	-	-
Flexible Apportionment Arrangement	-	(148)
	<u>(3)</u>	<u>(224)</u>
Actual return on plan assets	10,474	11,375

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Opening defined benefit obligation	94,658	83,852
GMP equalisation	-	(3,361)
Scheme introductions, changes, curtailments and settlements	(2,149)	-
Interest cost	1,761	2,144
Actuarial loss/(gains)	9,580	14,166
Benefits paid	(1,772)	(2,143)
	<u>102,078</u>	<u>94,658</u>

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

14. PENSION SURPLUS (continued)

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

	Defined benefit pension plans	
	2020 £'000	2019 £'000
Opening fair value of scheme assets	93,603	85,445
Contributions by employer	2,409	2,139
Actual return on scheme assets	10,474	11,375
Benefits paid	(1,772)	(2,143)
Transfer payments	-	3,213
Scheme introductions, changes, curtailments and settlements	(2,149)	-
	<u>102,565</u>	<u>93,603</u>

The major categories of scheme assets are as follows:

	Defined benefit pension plans	
	2020 £'000	2019 £'000
Equities	14,348	14,087
Bonds	79,457	71,176
Property and other	<u>8,760</u>	<u>8,340</u>
	<u>102,565</u>	<u>93,603</u>

c) Defined Contribution scheme

The company operates contract-based 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 individual members. 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 £326,000 (2019: £297,000) represents contributions payable to these schemes by the company at rates specified in contracts of employment. As at 31 December 2020 there were no contributions due in respect of the current reporting period, which had not been paid over to the schemes.

HUNTSMAN SURFACE SCIENCES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 31 December 2020

15. PARENT UNDERTAKING

The company's immediate parent company is Huntsman Holdings (UK), a company incorporated in the United Kingdom.

In the opinion of the directors, the company's ultimate parent company, and ultimate controlling party, is Huntsman Corporation, a company incorporated in the United States of America.

The results of Huntsman Surface Sciences UK Limited for the year ended 31 December 2020 have been consolidated in the financial statements of Huntsman (Holdings) Netherlands BV and Huntsman Corporation, being the smallest and the largest parent undertaking to prepare group financial statements which include Huntsman Surface Sciences UK Limited.

Huntsman (Holdings) Netherlands BV has its registered office at Merseyweg 10, 3197 KG Botlek-Rotterdam, Netherlands.

Huntsman Corporation has its corporate headquarters at 10003 Woodloch Forest Drive, The Woodlands, Texas 77380, USA.

Copies of the financial statements for Huntsman Corporation are available from the Investor Relations section of the Huntsman Corporation website at www.huntsman.com.

16. OTHER FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 Vehicles £'000	2019 Vehicles £'000
Other operating leases expiring within:		
One year	7	9
One to two years	-	7
Between two and five years	-	-
	<u>7</u>	<u>16</u>

All non-cancellable operating leases relate to vehicles used by employees of the company.

17. 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.

18. POST BALANCE SHEET EVENTS

No post balance sheet events occurred between the balance sheet date and the date of signing of these accounts.