

Company Registration No. 3870678

**HUNTSMAN ADVANCED MATERIALS
HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)**

Report and Financial Statements

31 December 2004

**(- 30/01/2006)
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HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

REPORT AND FINANCIAL STATEMENTS 2004

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HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Bentley
P Hulme
L Hylton
M Maughan

SECRETARY

M Maughan

REGISTERED OFFICE

Haverton Hill Road
Billingham
Teeside
TS23 1PS

SOLICITORS

Allen & Overy
One New Change
London EC4M 9QQ

Hewitson Becke & Shaw
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED **(formerly VANTICO HOLDING LIMITED)**

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

CHANGE OF NAME

The company changed its name from Vantico Holding Limited to Huntsman Advanced Materials Holdings (UK) Limited on 2 February 2004.

ACTIVITIES

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

The company operated overseas branches in Sweden, Finland and Denmark, which were closed during 2004.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors consider that both the result for the year and position at the year end were satisfactory and do not envisage any changes to the company's activities in the coming year.

DIVIDENDS

The directors do not recommend the payment of a dividend (2003: nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, none of whom had any interest in the shares of the company, are as follows:

P Bentley

P Hulme

P Thomas (resigned 1 June 2004)

M Maughan and L Hylton were appointed as directors on 3 October 2005.

RESEARCH AND DEVELOPMENT

The group carries out research and development activities to develop its range of products. All amounts are expensed as incurred, and £1,982,075 (2003 - £2,870,000) was charged in the profit and loss account in the year in respect of research and development activities.

EMPLOYEES

The group's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group.

The group's policy is to be non-discriminatory towards disabled workers applying for those vacancies that they are able to fill and to provide all necessary assistance with training courses. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. The group's policy is to make arrangements, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

DIRECTORS' REPORT (continued)

CHARITABLE DONATIONS

During the year the group made charitable donations of £5,133 (2003 - £nil), principally to local charities serving the communities in which the group operates.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

30 January 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)**

We have audited the financial statements of Huntsman Advanced Materials Holdings (UK) Limited for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Cambridge

30 JAN 2006

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
TURNOVER	2	25,093	102,495
Cost of sales		(10,269)	(76,440)
Gross profit		<u>14,824</u>	<u>26,055</u>
Distribution costs		-	(3,724)
General administrative expenses		(12,467)	(19,801)
Research and development costs		(1,982)	(2,870)
Impairment of fixed assets		-	(11,054)
Impairment of goodwill		(428)	(11,952)
Total administrative expenses		<u>(14,877)</u>	<u>(45,677)</u>
Net operating expenses	3	<u>(14,877)</u>	<u>(49,401)</u>
Other operating income		<u>9,732</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	5	9,679	(23,346)
Cost of a fundamental restructuring of continuing operations		-	(1,719)
Interest receivable and similar income		93	22
Other finance income	20	200	100
Interest payable and similar charges	6	(3,091)	(10,713)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,881	(35,656)
Tax on profit/(loss) on ordinary activities	7	<u>272</u>	<u>3,461</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	18	<u><u>7,153</u></u>	<u><u>(32,195)</u></u>

All activities derive from continuing operations.

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Profit/(loss) for the financial year		7,153	(32,195)
Actuarial (loss)/gain on defined benefit pension plan	20	(2,900)	1,100
Related movement in deferred tax asset		750	(30)
Total recognised gains and losses for the year		<u>5,003</u>	<u>(31,125)</u>

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

CONSOLIDATED BALANCE SHEET
31 December 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets	10	25,726	29,425
Tangible assets	11	16,067	14,027
		<u>41,793</u>	<u>43,452</u>
CURRENT ASSETS			
Stocks	12	268	10,246
Debtors	13	8,426	18,305
Short term investments		2	-
Cash at bank and in hand		41	1,329
		<u>8,737</u>	<u>29,880</u>
CREDITORS: amounts falling due within one year	14	<u>(10,510)</u>	<u>(17,802)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,773)</u>	<u>12,078</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		40,020	55,530
CREDITORS: amounts falling due after more than one year	15	(10,800)	(33,063)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>-</u>	<u>-</u>
NET ASSETS EXCLUDING PENSION LIABILITIES		29,220	22,467
PENSION LIABILITIES	20	(5,950)	(4,200)
PROVISION FOR POST-RETIREMENT BENEFITS	20	<u>(617)</u>	<u>(617)</u>
NET ASSETS INCLUDING PENSION LIABILITIES		<u>22,653</u>	<u>17,650</u>
CAPITAL AND RESERVES			
Called up share capital	17	92,511	92,511
Profit and loss account	18	(69,858)	(74,861)
EQUITY SHAREHOLDERS' FUNDS	19	<u>22,653</u>	<u>17,650</u>

These financial statements were approved by the Board of Directors on 30 January 2006

Signed on behalf of the Board of Directors



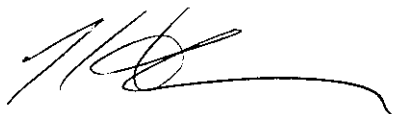
HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

BALANCE SHEET
31 December 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Investments	9	33,208	33,208
CURRENT ASSETS			
Debtors	13		
Due within one year		515	-
Due after one year		11,860	34,290
		12,375	34,290
CREDITORS: amounts falling due within one year	14	(15,049)	(16,785)
NET CURRENT (LIABILITIES)/ASSETS		(2,674)	17,505
TOTAL ASSETS LESS CURRENT LIABILITIES		30,534	50,713
CREDITORS: amounts falling due after more than year	15	(10,800)	(33,063)
NET ASSETS		19,734	17,650
CAPITAL AND RESERVES			
Called up share capital	17	92,511	92,511
Profit and loss account	18	(72,777)	(74,861)
EQUITY SHAREHOLDERS' FUNDS	19	19,734	17,650

These financial statements were approved by the Board of Directors on 30 January 2006

Signed on behalf of the Board of Directors



HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced amount of goods sold excluding value added tax. Included in turnover is toll manufacture and service provider income received from other group companies.

Investments in group undertakings

Investments are stated at cost less a provision for impairment where necessary.

Cash flow statement

As permitted by Financial Reporting Standard Number 1, the group has not prepared a cash flow statement as its parent undertaking, Huntsman Advanced Materials Holdings LLC, has prepared consolidated financial statements which incorporate the results of the group and which include a consolidated cash flow statement.

Current 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 taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Deep discount bonds

The discounts at which the deep discount bonds were issued are amortised over the period from the issue date to the redemption date. The liability shown at the balance date is equivalent to the face value of the bonds less the unamortised discounts as at that date. The charge arising from the amortisation of this discount is included within "interest payable and similar charges" in the profit and loss account.

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 expected to benefit from it. Goodwill amortisation periods are determined on a case by case basis up to a maximum at 20 years. Provision is made against the carrying value of goodwill where an impairment in value is deemed to have occurred.

Research and development

All ongoing research and development expenditure is written off in the period in which it is incurred.

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

There is no depreciation on freehold land and assets under construction.

On other assets depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	30-50 years
Plant and equipment (production)	17 years
Plant and equipment (laboratory and office)	4-8 years
Motor vehicles	3 years

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

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Operating leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Retirement benefits

The company sponsors a defined benefit pension plan in the United Kingdom and accounts for the scheme under the provisions of Financial Reporting Standard Number 17 ("Retirement Benefits"), which has been adopted in advance of its effective date.

The assets of the pension scheme are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at an appropriate rate of return. The surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet.

The current service cost, being the actuarially determined present value of the pension benefits earned by the employees in the current period, and the past service cost are included within operating expenses. Other finance income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets on the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities.

All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

2. TURNOVER

Turnover by geographical market is as follows:

	2004	2003
	£'000	£'000
United Kingdom	-	56,585
Other European countries	25,093	33,453
Americas	-	886
Asia, Australia and Africa	-	11,571
	<hr/>	<hr/>
	25,093	102,495
	<hr/>	<hr/>

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

3. NET OPERATING EXPENSES

	2004	2003
	£'000	£'000
Distribution costs	-	3,724
General administrative expenses	12,467	19,801
Research and development costs	1,982	2,870
Impairment of fixed assets	-	11,054
Impairment of goodwill	428	11,952
	<u>14,877</u>	<u>49,401</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004	2003
	£'000	£'000
Directors' emoluments	<u>-</u>	<u>216</u>

Retirement benefits are accruing to no directors (2003 - three) under a defined benefit pension scheme.

Highest paid director:

Emoluments in respect of qualifying services	-	99
Accrued pension at end of year	-	-

Directors' emoluments reflect only amounts received by directors whilst in office.

	No	No
Average number of persons employed (including directors) by the group in the year:		
Research and development	29	39
Marketing and distribution	59	83
General and administration	34	38
Production	127	136
	<u>249</u>	<u>296</u>

	£'000	£'000
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	7,339	10,533
Social security costs	664	834
Charge in respect of other pension costs (see note 20)	500	1,000
	<u>8,503</u>	<u>12,367</u>

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

5. OPERATING PROFIT/(LOSS)

	2004	2003
	£'000	£'000
Operating profit/(loss) is after charging (crediting):		
Depreciation - owned assets	939	1,639
Amortisation of intangible assets	3,271	3,294
Profit on disposal of tangible fixed assets	(11)	(8)
Rentals under operating leases		
Hire of plant and machinery	179	177
Other operating leases	356	412
Auditors' remuneration for audit services	72	56
Auditors' remuneration for non-audit services	-	82
Impairment of fixed assets	-	11,054
Impairment of goodwill	428	11,952
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£'000	£'000
Bank interest payable	-	1,140
Interest payable to group companies	3,091	3,914
Write-off of deferred borrowings cost	-	3,032
Foreign exchange on borrowings	-	2,627
	<u> </u>	<u> </u>
	3,091	10,713
	<u> </u>	<u> </u>

7. TAXATION

Tax on profit/(loss) on ordinary activities

	2004	2003
	£'000	£'000
Current taxation		
United Kingdom corporation tax at 30% (2003 - 30%) based on the profit (loss) for the year	-	1,018
Double taxation relief	-	(1,018)
Foreign taxation	-	1,018
Adjustments in respect of prior years	(515)	(310)
	<u> </u>	<u> </u>
Total current taxation	(515)	708
	<u> </u>	<u> </u>
Deferred taxation		
Origination and reversal of timing differences	77	(4,151)
Adjustments in respect of prior years	166	(18)
	<u> </u>	<u> </u>
Total deferred taxation	243	(4,169)
	<u> </u>	<u> </u>
Tax on profit/(loss) on ordinary activities	(272)	(3,461)
	<u> </u>	<u> </u>

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

7. TAXATION (continued)

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2004	2003
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	6,881	(35,656)
Tax at 30% thereon	2,064	(10,697)
Effects of:		
Expenses not deductible for tax purposes	(3,705)	5,226
Utilisation of tax losses	1,718	-
Capital allowances in (excess) deficit of depreciation	169	3,522
Movement in short term timing differences	(246)	659
Other deferred tax movements	-	2,307
Prior period adjustment	(515)	(309)
Current tax charge for the year	(515)	708

Deferred taxation

At 31 December 2004, the group had potential deferred tax assets of £6.6 million (2003 - £7.6 million) of which none was recognised. These assets relate to non-trading losses and would be recognised in the eventuality that it was more likely than not that the company was to make suitable taxable future profits against which these could be offset.

8. PROFIT/(LOSS) OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £2,084,000 (2003 - loss of £31,405,000).

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

9. INVESTMENTS HELD AS FIXED ASSETS

Company	Investment in subsidiary undertaking £'000
Cost	
At 1 January 2004 and at 31 December 2004	76,335
Impairment	
At 1 January 2004 and at 31 December 2004	43,127
Net book value	
At 31 December 2004	33,208
At 31 December 2003	33,208

The company has one subsidiary undertaking, Huntsman Advanced Materials (UK) Limited (formerly Vantico Limited), which is incorporated in England and Wales. Huntsman Advanced Materials Holdings (UK) Limited (formerly Vantico Holding Limited) holds all of the ordinary, "A" ordinary and "B" ordinary shares in this company, the principal activity of which is the development, manufacture and sale of performance polymers.

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 1 January 2004 and 31 December 2004	52,458
Amortisation	
At 1 January 2004	23,033
Charge for the year	3,271
Impairment	428
At 31 December 2004	26,732
Net book value	
At 31 December 2004	25,726
At 31 December 2003	29,425

Goodwill is being amortised to the profit and loss account over 20 years, being the minimum period over which benefit from the acquisitions is expected to be derived. No amortisation was charged in the quarter of acquisition.

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

11. TANGIBLE FIXED ASSETS

Group	Freehold land £'000	Freehold buildings £'000	Plant and equipment £'000	Laboratory and office equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost							
At 1 January 2004	2,999	14,333	20,395	3,811	448	1,206	43,192
Additions	-	-	-	25	-	3,315	3,340
Transfers	-	299	676	85	-	(1,060)	-
Disposals	-	-	(97)	(355)	(141)	-	(593)
At 31 December 2004	2,999	14,632	20,974	3,566	307	3,461	45,939
Accumulated depreciation							
At 1 January 2004	-	9,197	16,790	2,818	360	-	29,165
Charge for the year	-	232	376	331	-	-	939
Disposals	-	-	(46)	(62)	(124)	-	(232)
At 31 December 2004	-	9,429	17,120	3,087	236	-	29,872
Net book value							
At 31 December 2004	2,999	5,203	3,854	479	71	3,461	16,067
At 31 December 2003	2,999	5,136	3,605	993	88	1,206	14,027

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

12. STOCKS

	Group	
	2004	2003
	£'000	£'000
Raw materials	-	1,584
Work in progress	-	989
Finished goods	268	7,673
	<u>268</u>	<u>10,246</u>

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	163	10,730	-	-
Amounts owed by group undertakings	6,883	6,134	515	-
Amounts owed by subsidiary undertaking	-	-	11,860	34,290
Other debtors	463	315	-	-
Prepayments	251	217	-	-
Deferred tax asset (note 16)	666	909	-	-
	<u>8,426</u>	<u>18,305</u>	<u>12,375</u>	<u>34,290</u>

Amounts owed by subsidiary undertaking at 31 December 2004 and 31 December 2003 are due outside of one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade creditors	630	1,714	-	-
Amounts owed to group undertakings	6,945	13,036	984	2,721
Amounts owed to subsidiary undertaking	-	-	14,065	14,064
Foreign tax	-	515	-	-
Other tax and social security	275	354	-	-
Other creditors	-	960	-	-
Accruals and deferred income	2,660	1,223	-	-
	<u>10,510</u>	<u>17,802</u>	<u>15,049</u>	<u>16,785</u>

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
(formerly VANTICO HOLDING LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

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

	Group and company	
	2004	2003
	£'000	£'000
Amounts owed to group undertakings	10,800	33,063

Amounts owed to group undertakings do not have defined repayment dates but the directors consider the loan to be long term in nature.

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group

Deferred taxation	£'000
Balance at 1 January 2004	(909)
Charge to profit and loss account	243
Balance at 31 December 2004	(666)

	2004	2003
	£'000	£'000
Capital allowances in excess of depreciation	(205)	(60)
Short term timing differences	(461)	(849)
	(666)	(909)

The deferred tax asset is included within debtors (note 13).

17. CALLED UP SHARE CAPITAL

	2004	2003
	£'000	£'000
Authorised, called up, allotted and fully paid		
92,510,654 ordinary shares of £1 each	92,511	92,511

HUNTSMAN ADVANCED MATERIALS HOLDINGS (UK) LIMITED
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18. RESERVES

	Profit and loss account £'000
Group	
At 1 January 2004	(74,861)
Retained profit for the financial year	7,153
Actuarial loss on deferred benefit pension plan, net of tax	(2,150)
	<hr/>
At 31 December 2004	<u>(69,858)</u>
Company	
At 1 January 2004	(74,861)
Retained profit for the financial year	2,084
	<hr/>
At 31 December 2004	<u>(72,777)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

	2004 £'000	2003 £'000
Group		
Retained profit/(loss) for the year	7,153	(32,195)
Actuarial (loss)/gain on deferred benefit pension plan, net of tax	(2,150)	1,070
Issue of shares	-	57,100
	<hr/>	<hr/>
Net addition to shareholders' funds	5,003	25,975
Opening shareholders' funds/(deficit)	17,650	(8,325)
	<hr/>	<hr/>
Closing shareholders' funds	<u>22,653</u>	<u>17,650</u>
Company		
Retained profit/(loss) for the year	2,084	(31,405)
Issue of shares	-	57,100
	<hr/>	<hr/>
Net addition to shareholders' funds	2,084	25,695
Opening shareholders' funds/(deficit)	17,650	(8,045)
	<hr/>	<hr/>
Closing shareholders' funds	<u>19,734</u>	<u>17,650</u>

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20. PENSION AND POST-RETIREMENT MEDICAL BENEFITS SCHEMES

Composition of the pension scheme

The company sponsors a defined benefit pension plan in the United Kingdom with benefits based on final salary. A full actuarial valuation was carried out at 1 November 2002, and updated to 31 December 2004, by a qualified independent actuary. Over the year the company contributed to the scheme at the rate of 13% of members' contribution salaries. Contributions will continue at this rate until such time as they are reviewed following a further actuarial valuation.

The major assumptions used by the actuary were:

	31 December 2004 %	31 December 2003 %	31 December 2002 %
Rate of increase in salaries	4.05	4.00	3.75
Rate of increase in pensions in payment	2.75	2.50	2.25
Discount rate	5.25	5.50	5.50
Inflation assumption	2.75	2.50	2.25
Expected long-term rate of return - equities	7.50	7.75	7.75

The assets in the scheme were:

	Value at 31 December 2004 £'000	Value at 31 December 2003 £'000	Value at 31 December 2002 £'000
Equities	26,400	23,200	19,100
Other	100	-	300
Total market value of assets	26,500	23,200	19,400
Present value of scheme liabilities	35,000	29,200	25,500
Deficit in the scheme	(8,500)	(6,000)	(6,100)
Related deferred tax asset	2,550	1,800	1,830
Net pension liability	(5,950)	(4,200)	(4,270)

Analysis of the amount charged to operating profit

	2004 £'000	2003 £'000
Current service cost	1,100	1,100
Past service cost	-	-
Loss on settlements or curtailments	(400)	-
Total operating charge	700	1,100

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20. PENSION AND POST-RETIREMENT MEDICAL BENEFITS SCHEMES (continued)

Analysis of the amount credited to other finance income

	2004	2003
	£'000	£'000
Expected return on pension scheme assets	1,800	1,500
Interest on pension scheme liabilities	(1,600)	(1,400)
Net return (unrealised)	<u>200</u>	<u>100</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2004	2003
	£'000	£'000
Actual return less expected return on pension scheme assets	1,200	2,500
Experience gains and losses arising on the scheme liabilities	200	(100)
Change in assumptions underlying the present value of the scheme liabilities	(4,300)	(1,300)
Actuarial (loss)/gain recognised in the STRGL	<u>(2,900)</u>	<u>1,100</u>

Movement in (deficit)/surplus during the year

	2004	2003
	£'000	£'000
Deficit at the beginning of the year	(6,000)	(6,100)
Movement in the year		
Current service cost	(1,100)	(1,100)
Other finance income	200	100
Actuarial (loss)/gain recognised in STRGL	(2,900)	1,100
Employer contributions	900	-
Loss on settlements or curtailments	400	-
Deficit in the scheme at the end of the year	<u>(8,500)</u>	<u>(6,000)</u>

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20. PENSION AND POST-RETIREMENT MEDICAL BENEFITS SCHEMES (continued)

History of experience gains and losses

	2004	2003	2002
	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:			
Amount	1,200	2,500	(8,400)
Percentage of scheme assets	4.5%	10.8%	(43.3%)
Experience gains and losses of scheme liabilities:			
Amount	200	(100)	200
Percentage of the present value of the scheme liabilities	0.6%	(0.3%)	0.8%
Total amount recognised in statement of total recognised gains and losses:			
Amount	(2,900)	1,100	(8,800)
Percentage of the present value of the scheme liabilities	(8.3%)	3.8%	(34.5%)

Provision for post-retirement medical benefits

The movement in the provision for post-retirement benefits is as follows:

	2004	2003
	£'000	£'000
At 1 January 2004 and 31 December 2004	617	617

A full actuarial valuation was carried out at 31 December 2001 by a qualified independent actuary. No contributions were made to the scheme in the year (2003 - £nil).

In the opinion of the directors, the cost involved to obtain a current full actuarial valuation is considered to exceed the benefits obtained.

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 2004.

21. CAPITAL COMMITMENTS

	2004	2003
	£'000	£'000
Contracted for but not provided	-	75

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22. CONTINGENT LIABILITIES

The bank loans of other group undertakings are secured by a fixed and floating charge over the assets of the company.

The company's facilities are subject to a broad array of environmental laws and regulations. The costs of complying with complex environmental laws and regulations, as well as internal voluntary programmes, are significant and will continue to be so for the foreseeable future. Therefore the company is in the process of implementing ISO140001, the Lloyds register environmental accreditation. Accounting for contingencies such as environmental, legal and income tax matters requires management to use their judgement. The management believes that accruals for such costs and liabilities are adequate. The environmental inspections are conducted regularly and as a result of such inspections, the costs of complying with environmental regulations could be different from management's estimate.

The directors are aware that the Inland Revenue are presently reviewing parts of the transaction whereby the company was separated from Ciba Speciality Chemicals plc, and that the Revenue are considering whether a capital gains tax liability may be determined on the company. However, the directors are aware that a legal view has been obtained to dispute any potential tax charge, which, in addition with the structure of the original Ciba sale agreement, should mitigate any exposure to the company.

23. OPERATING LEASE COMMITMENTS

At 31 December 2004 the group was committed to making the following payments during the next year in respect of operating leases:

	2004		2003	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Leases which expire:				
Within one year	115	-	-	-
Within two to five years	-	137	153	-
After more than five years	-	31	-	346
	<u>115</u>	<u>168</u>	<u>153</u>	<u>346</u>

24. RELATED PARTY TRANSACTIONS

The company has not disclosed transactions with other group companies in accordance with the exemption available to wholly owned subsidiaries under the terms of the Financial Reporting Standard 8. There were no other related party transactions.

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25. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Huntsman Advanced Materials (Belgium) BVBA, a company incorporated in Belgium.

The ultimate parent undertaking and controlling party is Huntsman Holdings LLC, a company incorporated in the United States of America.

Huntsman Advanced Materials LLC, a company incorporated in the United States of America is the parent undertaking of the smallest and largest group to consolidate these financial statements, copies of which may be obtained from the company at 500 Huntsman Way, Salt Lake City, UT 84108, United States of America.