

**EVONIK UK HOLDINGS LIMITED**

**Annual Report and Financial Statements**

**for the year ended**

**31 December 2016**

**Registered number: 02695034**

FRIDAY



\*A6G0J1YH\*

A07

29/09/2017

#254

COMPANIES HOUSE

# **Evonik UK Holdings Ltd**

## **Annual Report and Financial Statements for the year ended 31 December 2016**

### **Contents**

	<i>Page</i>
Strategic Report	2
Directors' Report	3
Independent Auditors' Report	5
Profit and Loss Account	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the financial statements	11

## **Evonik UK Holdings Ltd**

### **Strategic Report for the year ended 31 December 2016**

#### **Business review and principal activities**

Evonik UK Holdings Limited operates as a holding company and as a shared services provider to other entities in the Evonik Industries group of companies.

The Company continues to provide company secretarial, accounting and tax services for which it charges fees. The principal activities of the Company are concerned with deriving income from investments in subsidiary undertakings and the provision of these shared services. The Directors do not foresee any change to the current activities in the near future.

The results for the Company show a profit on ordinary activities before taxation of £56,334,213 for the year (2015: loss of £41,518,707). Net assets at the end of the year were £681,563,855 (2015: £585,622,270).

On 6 May 2016 Evonik Industries AG, our ultimate parent Company, signed an agreement to purchase the specialty additives business of Air Products & Chemicals Inc. for US\$3.8 billion. The acquisition was closed on 3 January 2017 following the approval of the relevant antitrust authorities. The acquisition included 100% of the shares in Air Products (Chemicals) Limited acquired by Evonik UK Holdings Limited for US\$0.4 billion (£0.3 billion).

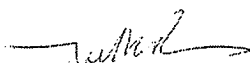
#### **Key performance indicators (KPIs)**

Given the fact that the Company's trade is largely within the Evonik group, the Directors do not use KPIs to manage the business and do not consider them necessary for an understanding of the development, performance or position of the business.

#### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company relate to pension funding, derivatives management and potential fluctuations in the interest rate as described in the financial risk management note in the Directors' Report.

On behalf of the Board



Anh Luu  
Director  
29 September 2017

## **Evonik UK Holdings Ltd**

### **Directors' Report for the year ended 31 December 2016.**

The Directors present their annual report and the audited financial statements of Evonik UK Holdings Ltd (Company number: 02695034) for the year ended 31 December 2016.

#### **Future outlook**

The Directors consider the future outlook for the Company to remain unchanged for the foreseeable future.

#### **Provisions**

Provisions for warranties and liabilities are reviewed on a quarterly basis by the Directors using information provided by third-party advisers. Provisions of £8,012,515 (2015: £7,507,339) relate to inter alia, deferred tax liabilities, third-party claims, warranties and indemnities and environmental provisions, details of which are described in note 14 of the financial statements.

#### **Dividends**

No dividend was paid to members in the year (2015: £65,098,698).

#### **Directors**

The officers who served during the year and after the balance sheet date up to the date of signing the financial statements are as follows:

A Luu	Director
S McBain	Director (appointed on 20 December 2016)
A Ludwig	Director (resigned on 20 December 2016)
M Hau	Director (appointed on 26 July 2017)
T Mueller	Director (resigned on 31 August 2017)
G A Stapleton	Company Secretary

#### **Research and development**

There were no research and development costs during the year (2015: £nil).

#### **Financial risk management**

Due to the nature of the Company, it has exposure to financial risks including foreign exchange and interest rate cash flow risks.

#### **Foreign exchange**

The company is exposed through the acquisition of Air Products (Chemicals) Limited to movements in the value of Sterling. To mitigate the risk of adverse movements, the company implemented policies to hedge an element of the exposure using forward exchange contracts to buy foreign currency in exchange for Sterling at a fixed price on an agreed date.

#### **Interest rate cash flow risk**

The Company has an interest bearing asset consisting of a loan to its German parent, Evonik Industries AG. The interest rate is calculated on an arm's length basis and is variable in nature based on one month Euribor.

As a member of the Evonik Industries AG cash pool arrangement, the Company's cash management is effectively controlled by its German parent organisation. The Evonik Industries AG Treasury function conducts an annual global risk assessment exercise. This information is used to provide a risk adjusted interest rate which is applied between the Company and its German parent in respect of any loans receivable or payable, on an arm's length basis.

#### **Post-balance sheet events**

The only post-balance sheet event is the acquisition of Air Products (Chemicals) Limited on 3 January 2017.

**Evonik UK Holdings Ltd**

**Directors' Report for the year ended 31 December 2016 (Continued)**

**Directors' indemnity provisions**

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the Directors at any time during the financial year (2015: none).

**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

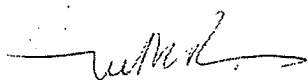
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure of information to auditors**

In accordance with Section 418, each person who is a director at the date of approval of this report confirms that:

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

On behalf of the Board



Anh Luu  
Director

29 September 2017

## **Evonik UK Holdings Ltd**

### **Independent Auditors' Report to the members of Evonik UK Holdings Ltd**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Evonik UK Holdings Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Evonik UK Holdings Ltd**

### **Independent Auditors' Report to the members of Evonik UK Holdings Ltd (continued)**

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

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Skedgel (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

29 September 2017

# Evonik UK Holdings Ltd

## Profit and Loss Account for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Continuing operations</b>			
Administrative expenses - before exceptional items		(2,518,499)	(1,325,905)
Administrative expenses - exceptional items		<u>(12,575,755)</u>	<u>-</u>
<b>Total administrative expenses</b>		<b>(15,094,254)</b>	<b>(1,325,905)</b>
Other operating income		<u>1,562,806</u>	<u>1,611,667</u>
<b>Operating (loss)/profit</b>	2	<b>(13,531,448)</b>	<b>285,762</b>
Income from shares in group undertakings	5	279,593,600	67,243,698
Interest receivable and similar income	6	333,146	12,134,259
Interest payable and similar expenses	6	(61,085)	(82,426)
Amounts written off investments	8	<u>(210,000,000)</u>	<u>(121,100,000)</u>
<b>Profit/(loss) before taxation</b>		<b>56,334,213</b>	<b>(41,518,707)</b>
Tax on profit/(loss)	7	-	(5,309,567)
<b>Profit/(loss) for the financial year</b>		<b><u>56,334,213</u></b>	<b><u>(46,828,274)</u></b>

There are no material differences between the profit before taxation and the profit for the financial years stated above and their historical cost equivalents.



**Evonik UK Holdings Ltd**

**Statement of Comprehensive Income for the year ended 31 December 2016**

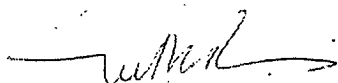
	Note	2016 £	2015 £
<b>Profit/(loss) for the financial year</b>		<b>56,334,213</b>	<b>(46,828,274)</b>
<b>Other comprehensive income/(expenses)</b>			
<b>Items that will not be recycled to profit or loss</b>			
Remeasurements of defined benefit liability/asset	21	(4,818,000)	(961,000)
Current tax relating to pension schemes		-	155,415
Deferred tax relating to pension schemes	16	686,221	(118,641)
		<u>(4,131,779)</u>	<u>(924,226)</u>
<b>Items that may be recycled to profit or loss</b>			
Loss on available for sale financial assets		(17,173)	(38,513)
Movement of cash flow hedge reserve		46,160,824	-
Other deferred taxes		(2,117,257)	-
Others		(287,262)	287,262
		<u>43,739,132</u>	<u>248,749</u>
Other comprehensive income/(expense) for the year, net of tax		<u>39,607,353</u>	<u>(675,477)</u>
<b>Total comprehensive income/(expense) for the year</b>		<b><u>95,941,566</u></b>	<b><u>(47,503,751)</u></b>

# Evonik UK Holdings Ltd

## Balance Sheet as at 31 December 2016

		2016	2015
	Note	£	£
<b>Fixed assets</b>			
Tangible assets	9	2	4
Investments	8	<u>310,307,899</u>	<u>521,916,549</u>
		<u>310,307,901</u>	<u>521,916,553</u>
<b>Current assets</b>			
Debtors	10	374,136,900	33,835,011
Other investments	11	35,407,393	34,038,393
Cash at bank and in hand		<u>288,009</u>	<u>6,506,835</u>
		<u>409,832,302</u>	<u>74,380,239</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	<u>(23,946,522)</u>	<u>(654,767)</u>
<b>Net current assets</b>		<u>385,885,780</u>	<u>73,725,472</u>
<b>Total assets less current liabilities</b>		<u>696,193,681</u>	<u>595,642,025</u>
<b>Long-term liabilities</b>			
Creditors: amounts falling due after more than one year	13	(343,311)	(399,311)
Provisions for liabilities	14	(8,012,515)	(7,507,339)
Pension liability	21	(6,274,000)	(2,113,086)
<b>Net assets</b>		<u>681,563,855</u>	<u>585,622,289</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,000	1,000
Cash flow hedge reserve		44,043,567	-
Profit and loss account		637,519,288	585,621,289
<b>Total equity</b>		<u>681,563,855</u>	<u>585,622,289</u>

The financial statements on pages 7 to 30 were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:



A Luu  
Director

# Evonik UK Holdings Ltd

## Statement of Changes in Equity for the year ended 31 December 2016

	Called up Share Capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2015	1,000	-	698,223,738	698,224,738
<b>Total comprehensive expense for the year</b>				
Loss for the financial year	-	-	(46,828,274)	(46,828,274)
Other comprehensive (expense)/income:				
Remeasurement of post-employment benefit plans, net of tax	-	-	(924,226)	(924,226)
Loss on available for sale financial assets	-	-	(38,513)	(38,513)
Other	-	-	287,262	287,262
<b>Total comprehensive expense for the year</b>	-	-	(47,503,751)	(47,503,751)
<b>Transactions with owners, recognised directly in equity</b>				
Dividends paid of £65,099 per share	-	-	(65,098,698)	(65,098,698)
<b>Balance at 31 December 2015</b>	<u>1,000</u>	<u>-</u>	<u>585,621,289</u>	<u>585,622,289</u>
<b>Total comprehensive income for the year</b>				
Profit for the financial year	-	-	56,334,213	56,334,213
Other comprehensive income/(expense):				
Remeasurement of post-employment benefit plans, net of tax	-	-	(4,131,779)	(4,131,779)
Cash flow hedge reserve, net of tax	-	44,043,567	-	44,043,567
Loss on available for sale financial assets	-	-	(17,173)	(17,173)
Other	-	-	(287,262)	(287,262)
<b>Total comprehensive income for the year</b>	-	44,043,567	51,897,999	95,941,566
<b>Balance at 31 December 2016</b>	<u>1,000</u>	<u>44,043,567</u>	<u>637,519,288</u>	<u>681,563,855</u>

## **Evonik UK Holdings Ltd**

### **Notes to the financial statements for the year ended 31 December 2016**

#### **1. Basis of accounting and principal accounting policies**

The financial statements are prepared on the going concern basis and under the historical cost convention as modified by the fair valuation of financial instruments and in accordance with the Companies Act 2006. They were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006, and has set out below where advantage of FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking Evonik Industries AG includes the Company in its consolidated financial statements. The consolidated financial statements of Evonik Industries AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.

The Company is a wholly-owned subsidiary of Evonik International Holding B.V. and is included in the consolidated financial statements of Evonik Industries AG which are publicly available. Under section 400 of the Companies Act 2006, entities are entitled to take advantage of an exemption from preparing consolidated financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly-owned subsidiaries of Evonik Industries AG;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Evonik Industries AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

## **Evonik UK Holdings Ltd**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **1. Basis of accounting and principal accounting policies (continued)**

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report and the Directors' Report on pages 2 to 4.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors, having assessed the responses of the directors of the Company's parent Evonik Industries AG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Evonik Industries AG group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Evonik Industries AG, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Significant accounting policies**

A summary of the significant accounting policies is set out below. The accounting policies have been applied consistently throughout the year.

##### **Investments in shares in group undertakings**

Investments in shares in group undertakings are stated at cost less any impairment for diminution in value. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. This includes directly attributable financing costs incurred in the acquisition or construction of qualifying assets.

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

Office equipment	- maximum of four years
Freehold buildings	- twenty five years

##### **Investments in Gilts**

Investments in Gilts are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

##### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if hedged forward, at the rate of exchange under the related forward currency contract. The gains or losses on translation are included in the profit and loss account, if not hedged or, if hedged, the gains or losses on translation are included in other comprehensive income.

## **Evonik UK Holdings Ltd**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **1. Basis of accounting and principal accounting policies (continued)**

##### **Pensions**

The Company is the principal employer of four UK pension schemes. Pension arrangements for staff are operated through a defined benefit scheme and a stakeholder scheme which is defined contribution. All schemes are accounted for in accordance with IAS 19, Employee Benefits.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions, and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of five defined benefit pension plans (see note 21). As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

The pension surplus (to the extent it is recoverable), subject to the asset ceiling restrictions, or deficit is recognised in total.

##### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## **Evonik UK Holdings Ltd**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **1. Basis of accounting and principal accounting policies (continued)**

##### **Financial instruments**

Financial instruments comprise cash and cash equivalents, loans and borrowings and other debtors and creditors.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other debtors*

Other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### **Derivative financial instruments**

Hedging of the foreign exchange risk of acquisition projects is divided into the hedging of parts of the purchase price to be paid on the one hand and of intragroup financing in connection with the acquisition on the other. The division into the investment and financing components is derived from the contractual structure of the respective acquisition. Forward exchange contracts are concluded to hedge the currency-induced risk. To hedge the acquisition of Air Products specialty additives business, forward exchange contracts were concluded until the transaction was closed in January 2017.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the unrealised gains and losses.

##### **Impairment**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets (other than stocks and deferred tax assets)*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

## Evonik UK Holdings Ltd

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 1. Basis of accounting and principal accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

##### *Impairment reviews*

Management consider that the fair value of all inter-company debtors and creditors that are repayable on demand is equal to their book value, therefore no asset impairments have been carried out.

##### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made.

Where the effect of the time value of money is material, the provision is discounted to the present value of the expense expected to be required to settle the obligation. Where appropriate, the discount rate has been adjusted for the risk associated with the liability. The unwinding of the discount on those provisions is included within other finance costs.

##### **Dividends**

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

#### 2. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting) :

	2016	2015
	£	£
<b>Services provided by the Company's auditors</b>		
Fees payable for the audit	61,688	54,447
Fees payable for other services - tax	-	23,264
Exchange losses realised	12,588,692	26,463
Exchange losses un-realised	21,064,546	-
Exchange gains realised	(54,143)	-
Exchange gains un-realised	(23,081,171)	(2,024)
Release of provisions for liabilities (note 14)	(1,011,640)	(1,549,945)

Evonik UK Holdings Limited has borne the audit fees for all of the UK group companies.

Operating loss includes £741,029 (2015: £845,617) of other operating income which mainly consists of recharge income received from other group undertakings for whom Evonik UK Holdings Limited has borne the original costs.

The exchange losses realised includes £12,575,755 (2015:£nil) of exceptional costs in relation to the exchange losses generated from the hedging transaction to acquire Air Products (Chemicals) Limited.



# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 3. Staff numbers and costs

	2016	2015
Average monthly number of employees (in 2015 including directors)	Number	Number

Sales and administration	<u>6</u>	<u>7</u>
--------------------------	----------	----------

#### The aggregate payroll costs of these persons was as follows:

	2016	2015
	£	£
Wages and salaries (including directors' remuneration)	393,370	416,646
Social security costs	72,219	70,086
Contributions to defined contribution plans	4,379	3,926
Expenses/(gains) related to defined benefit plans	<u>412,000</u>	<u>1,000</u>
	<u>881,968</u>	<u>491,658</u>

### 4. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments (including pension contributions)	<u>-</u>	<u>104,781</u>

### 5. Income from shares in group undertakings

The company received the following interim dividends from its subsidiaries:

	2016	2015
	£	£
Evonik Amalgamation Limited	-	2,145,000
Evonik Speciality Organics Limited	<u>279,593,600</u>	<u>65,098,698</u>
	<u>279,593,600</u>	<u>67,243,698</u>

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 6. Interest

	2016 £	2015 £
<b>Interest receivable and similar income</b>		
Interest from group undertakings	113,980	144,654
Other interest receivable	<u>219,166</u>	<u>11,989,605</u>
	<u>333,146</u>	<u>12,134,259</u>
<b>Interest payable and similar expenses</b>		
Interests cost on pensions	(61,000)	(82,000)
Other interest payable	<u>(85)</u>	<u>(426)</u>
	<u>(61,085)</u>	<u>(82,426)</u>

### 7. Tax on profit/(loss)

	2016 £	2015 £
<b>Recognised in the profit and loss account:</b>		
<i>Current tax</i>		
UK corporation tax on profit/(loss) for the year	-	5,255,878
Adjustments in respect of prior years	<u>-</u>	<u>53,689</u>
<b>Total current tax</b>	<u>-</u>	<u>5,309,567</u>
<b>Recognised in other comprehensive income/(expenses)</b>		
Origination and reversal of temporary differences	(2,443,908)	-
Deferred tax impact of rate change	326,651	-
Remeasurements of defined benefit liability	<u>686,221</u>	<u>(118,641)</u>
<b>Total deferred tax</b>	<u>(1,431,036)</u>	<u>(118,641)</u>

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 7. Tax on profit/(loss) (continued)

The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
<b>Profit/(loss) before taxation</b>	<b>56,334,213</b>	<b>(41,518,707)</b>
Profit/(loss) multiplied by standard rate in the UK 20.00% (2015: 20.25%)	11,266,843	(8,407,538)
<i>Effects of:</i>		
Additional tax payable of restitutional interest	-	2,865,950
Income not subject to taxation	(13,400,798)	(13,900,800)
Expenses not deductible for tax purposes	-	24,472,357
Deferred tax movement not recognised	1,798,724	-
Other temporary differences not recognised for deferred Tax	-	20,901
Losses not utilised (Not recognised for deferred Tax)	-	212,648
Adjustments in respect of prior years	8,580	53,689
Impact of rate change	326,651	-
Impact of rate change between deferred and current tax	-	(7,640)
<b>Total tax for the year</b>	<b>-</b>	<b>5,309,567</b>

The company has surrendered the benefit of tax losses to another group company for a consideration of £nil (2015: £105,321).

### Factors affecting current and future tax charges:

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2016. The impact of this change is shown in note 16.

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 8. Investments

	Gilts	Shares in group undertakings	Total
	£	£	£
Cost or valuation			
At 1 January 2016	1,608,650	1,245,909,703	1,247,518,353
Change in fair value	(17,174)	-	(17,174)
Disposals	(1,591,476)	-	(1,591,476)
<b>At 31 December 2016</b>	<b>-</b>	<b>1,245,909,703</b>	<b>1,245,909,703</b>
Impairments			
At 1 January 2016	-	(725,601,804)	(725,601,804)
Impairments charged in the year	-	(210,000,000)	(210,000,000)
<b>At 31 December 2016</b>	<b>-</b>	<b>(935,601,804)</b>	<b>(935,601,804)</b>
Net book amount			
<b>At 31 December 2016</b>	<b>-</b>	<b>310,307,899</b>	<b>310,307,899</b>
At 31 December 2015	1,608,650	520,307,899	521,916,549

Due to the dividend agreed during the year the investment in Evonik Speciality Organics Limited was written down by £210,000,000 (2015: £120,000,000 and £1,100,000 of the investment in Evonik Amalgamation Limited).

During 2016 there were no impairment reversals.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

## Evonik UK Holdings Ltd

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 8. Investments (continued)

Details of the Company's subsidiary and associated undertakings are as follows:

<i>Name of company</i>	<i>Country of registration, incorporation and operation</i>	<i>Holding %</i>	<i>Class of shares held</i>	<i>Nature of business</i>	<i>Direct / Indirect</i>
<b>Subsidiary undertakings</b>					
Evonik Amalgamation Limited	England	100	Ordinary	Holding company	Direct
Evonik Speciality Organics Limited	England	100	Ordinary	Provision of inter-Group services	Direct
Laporte Chemical Limited	England	100	Ordinary	Dormant	Indirect
Evonik Goldschmidt UK Limited	England	100	Ordinary	Toll manufacturer for Nutrition & Care global Segment	Direct
Evonik Membrane Extraction Technology Limited	England	100	Ordinary	Toll manufacturer for Resource Efficiency global Segment	Indirect
EGL Limited	England	100	Ordinary	Dormant	Indirect
Laporte Industries Limited	England	100	Ordinary	Non-trading	Indirect
<b>Joint Venture</b>					
Evonik Headwaters LLP	England	50	Ordinary	Dormant	Indirect
<b>Trustees held by the Company</b>					
Evonik Pension Scheme Trustee Limited	England	100	Ordinary	Pension scheme Trustee	Direct
Evonik Trustee Limited	England	100	Ordinary	Pension scheme Trustee	Direct

The registered address of the Company's subsidiaries is Tego House, Chippenham Drive, Kingston, Milton Keynes MK10 0AF, England.

The subsidiary undertakings and participating interests of the Company at 31 December 2016 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated.

**Evonik UK Holdings Ltd**

**Notes to the financial statements for the year ended 31 December 2016 (continued)**

**9. Tangible assets**

	<b>Freehold land and buildings</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2016	4	85,641	85,645
Disposals	(2)	-	(2)
<b>At 31 December 2016</b>	<b><u>2</u></b>	<b><u>85,641</u></b>	<b><u>85,643</u></b>
<b>Accumulated depreciation</b>			
At 1 January 2016	-	(85,641)	(85,641)
Charge for the year	-	-	-
Disposals	-	-	-
<b>At 31 December 2016</b>	<b><u>-</u></b>	<b><u>(85,641)</u></b>	<b><u>(85,641)</u></b>
<b>Net book amount</b>			
<b>At 31 December 2016</b>	<b><u>2</u></b>	<b><u>-</u></b>	<b><u>2</u></b>
At 31 December 2015	<u>4</u>	<u>-</u>	<u>4</u>

During 2016 assets of £2 sold during the year resulting in a profit on disposal of £nil (2015: £69,050).

The gross book value of freehold land and buildings includes £nil (2015: £nil) of depreciable assets. There are no material differences between the book value and the market value.

## Evonik UK Holdings Ltd

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 10. Debtors

	2016	2015
	£	£
<b>Amounts falling due within one year</b>		
Amounts owed by other group undertakings	373,897,672	33,265,728
Trade debtors	47,581	80,078
Other debtors	313	9,261
Prepayments and accrued income	191,334	99,585
	<u>374,136,900</u>	<u>33,454,652</u>
<b>Amounts falling due after more than one year</b>		
Deferred tax (see note 16)	-	380,359
<b>Total debtors</b>	<u>374,136,900</u>	<u>33,835,011</u>

Amounts owed by other group undertakings includes an interest bearing asset consisting of a loan to its German parent Evonik Industries AG of £37,472,375 (2015: £33,154,621). The interest rate is calculated on an arm's length basis and is variable in nature. At 31 December 2016, the interest rate was 0.16% (2015: 0.40%). There are no fixed repayment terms, but the loan could be recalled at any time. Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

At 31 December 2016 the amounts owed by other group undertakings includes the dividend receivable of Evonik Speciality Organics Limited.

#### 11. Other investments

Since 2013 the Company has an interest bearing asset consisting of funds totalling £34,038,393 (2015: £34,038,393) which have been deposited into four Trusts (the 'Evonik Trusts'), one in respect of each of the four defined benefit Pension Schemes, and each held by Evonik Trustee Limited, the trustee of the Evonik Trusts and a subsidiary of the Company. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2016, the interest rate was 0.25% (2015: 0.67%). Repayment terms are stipulated in the Trust Deed and Rules and the Supplemental Deed, both dated 20 March 2013.

The Company has an interest bearing bank deposit of £1,369,000 (2015: £nil) falling due within one year. The interest rate is 0.77% (2015: nil).

#### 12. Creditors: amounts falling due within one year

	2016	2015
	£	£
Amounts owed to group undertakings	23,477,394	25,084
Trade creditors	66,052	133,040
Other creditors	75,529	56,001
Accruals	327,547	440,642
	<u>23,946,522</u>	<u>654,767</u>

The amounts owed to other group undertakings are unsecured, non-interest bearing and repayable within twelve months.

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 13. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Other creditors	<u>343,311</u>	<u>399,311</u>

### 14. Provisions for liabilities

	Post-transaction liabilities	Deferred tax liabilities	Other	Total
	£	£	£	£
At 1 January 2016	7,045,943	-	461,396	7,507,339
Released	(493,515)	-	-	(493,515)
Charged to profit & loss	108,381	-	-	108,381
Charged to other comprehensive income	-	1,050,677	-	1,050,677
Utilised	(116,977)	-	(43,390)	(160,367)
At 31 December 2016	<u>6,543,832</u>	<u>1,050,677</u>	<u>418,006</u>	<u>8,012,515</u>

Provisions totalling £6,544,832 (2015:£7,045,943) relate to post-transaction liabilities and associated claims or litigation as a result of indemnities given on divestments. Some of these provisions are in respect of environmental matters totalling £1,081,666 (2015:£1,522,857). In establishing the post-transaction liability related provisions, the Directors have considered a range of possible scenarios and have exercised a judgement as to what a probable outcome might be.

The provision is based on the Directors' best estimate of the most likely outcome of the claims and related legal costs; however, they acknowledge that due to the inherent nature and complexity of these claims and the associated litigation risk, provisions may have to be modified over time. The Directors have also given due consideration to the duration of each of these liabilities and are of the opinion that the majority of the aggregate value of the liabilities will crystallise within the next two years and, hence, the time value of money is not considered material.

Provisions which are environmental in nature largely relate to contamination of land. Third-party advisers have considered various scenarios and possible costs of clean up. The Directors have based their estimate on the information provided by specialist advisers.

One element of the total provision is categorised under the label 'Other Provisions'; this totals £418,006 (2015: £461,396). These provisions relate to liabilities such as uninsured elements of Employers' Liability claims and restructuring costs. With the exception of the Employers' Liability costs, the Directors have given due consideration to the likely timing for the crystallisation of these liabilities, and are of the view that the Company's exposure to these matters will be eliminated within the next two years and, hence, the time value of money is not considered material.



# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 15. Derivative financial instruments

The transactions involving derivatives financial instrument can be summarised as follows (2015: nil):

#### Cash flow hedge with Evonik Industries AG

			£	£
At 31 December 2016		Nominal value	Market value	Spot value
<b>Assets</b>				
FX Forward acquisition payment	USD	388,000,000	46,871,000	46,159,953
<b>Liabilities</b>				
FX Forward dividend receivable	EURO	(337,917,280)	(21,064,546)	(22,370,124)

The market value of the forward contracts represents the difference between contract rate and forward rate and is included within amounts owed by/to group undertakings in notes 10 and 12.

### 16. Deferred tax assets/(liabilities)

	2016	2015
	£	£
Deferred tax asset relating to pensions (note 21)	1,066,580	380,359
Deferred tax asset relating to losses brought forward	6,905,411	-
Deferred tax liability relating to temporary differences	(9,022,668)	-
Total deferred tax (liability)/asset	<u>(1,050,677)</u>	<u>380,359</u>
At 1 January	380,359	499,000
Deferred tax credited to the statement of comprehensive income	686,221	-
Deferred tax debited to the statement of comprehensive income	<u>(2,117,257)</u>	<u>(118,641)</u>
At 31 December	<u>(1,050,677)</u>	<u>380,359</u>

The Company has losses carried forward of £78,407,425 (2015: £66,089,433). For non-trade-losses of £35,872,367 (2015: £27,524,092) deferred tax assets of £6,905,411 are recognised (2015: no deferred tax assets have been recognised in relation to these items as their future use was uncertain).

### 17. Called up share capital

	2016	2015
	£	£
<b>Allotted and fully paid</b>		
1,000 ordinary shares of £1 each (2015: 1,000 ordinary shares of £1 each)	<u>1,000</u>	<u>1,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## **Evonik UK Holdings Ltd**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **18. Related party relationships and transactions**

The company has taken advantage of the exemption from disclosing related party transactions with fellow group members under IAS 24 on the grounds that the group is wholly owned by Evonik Industries AG whose consolidated financial statements are publicly available.

#### **19. Ultimate holding company and controlling party**

The Company's immediate holding company is Evonik Amalgamation Limited, a company registered and incorporated in England and Wales.

The ultimate parent company of Evonik UK Holdings Ltd is Evonik Industries AG, a company registered and incorporated in Germany. The consolidated financial statements of Evonik Industries AG, being the smallest and largest group to consolidate these financial statements, can be obtained from Rellinghauser Strasse 1-11, 45128 Essen, Germany.

#### **20. Estimates and Judgements**

##### *Provisions for liabilities and charges*

The company is likely to receive legal claims relating to prior year environmental activities. Management has made judgments as to the likelihood of any environmental claims succeeding by making provisions. The timing of such claims concluding is uncertain. The timing and cost depends on the legal process involved for the investigation and judgement of the claim.

##### *Impairment in Investment & subsidiaries*

The company carries out annual assessment of its investments and determines whether the current carrying value of the investment should be impaired. Detailed calculations are performed based on the expected future cash flow of the subsidiaries. The current value in use requires management to make an estimate of the future cash flows from its subsidiaries.

##### *Taxation*

Deferred tax effects of temporary differences are recognised between the financial statement carrying amounts and the tax basis of our assets and liabilities. Deferred tax assets are recognised only to the extent that it is probable that the associated deductions will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary differences can be utilised, provided the asset can be reliably quantified.

##### *Pension*

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and discount rates. Management estimate these factors in deterring the net pension obligation.

## Evonik UK Holdings Ltd

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 21. Pension liability

The Company is the principal employer and sponsor of the following defined benefit schemes:

##### Evonik Pension Scheme (EPS)

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company. The scheme is funded by means of contributions paid by members and the Company in order to ensure that the scheme can meet its expected benefit obligations. The scheme's surplus has been restricted to the present value of the obligations.

##### Laporte Group Pension Trust (Other)

The Laporte Group Pension Trust is divided into a number of sections: defined benefit, hybrid arrangements and a defined contribution scheme. The Trust's schemes are funded within a separately administered fund. The scheme's surplus has been restricted to the present value of the obligations.

The schemes are closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009.

##### Synthetic Chemicals Limited Pension Scheme (Other)

The Synthetic Chemicals Limited Pension Scheme provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company, being invested with an insurance company. The scheme's surplus has been restricted to the present value of the obligations.

##### Degussa-Huels Employees' Pension Scheme (Other)

The Degussa-Huels Employees' Pension Scheme provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company, being invested with an insurance company. An actuarial deficit of £3,971,000 (2015: £nil) has been recognised in respect of this scheme.

##### Roehm Limited Retirement and Death Benefits Scheme (closed)

The scheme is closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009. An actuarial deficit of £2,302,889 (2015: £2,112,661) has been recognised in respect of these schemes.

The latest full actuarial valuation of the schemes were obtained as at 4 March 2016 and have been updated by the actuary on an IAS 19 "Employee Benefits" basis at 31 December 2016.

#### As at 31 December 2016:

	2016		
	EPS scheme	Other schemes	Total
	£	£	£
Present value of the obligations	(44,524,000)	(443,646,000)	(488,170,000)
Fair value of plan assets	45,020,000	500,315,000	545,335,000
Surplus before consideration of the asset ceiling	496,000	56,669,000	57,165,000
Amounts not recognised due to the effect of the asset ceiling	(496,000)	(62,943,000)	(63,439,000)
Retirement benefit obligation recognised in the balance sheet	-	(6,274,000)	(6,274,000)

#### As at 31 December 2015:

	2015		
	EPS scheme	Other schemes	Total
	£	£	£
Present value of the obligations	(31,841,000)	(381,903,086)	(413,744,086)
Fair value of plan assets	38,219,102	455,548,000	493,767,102
Surplus before consideration of the asset ceiling	6,378,102	73,644,914	80,023,016
Amounts not recognised due to the effect of the asset ceiling	(6,378,102)	(75,758,000)	(82,136,102)
Retirement benefit obligation recognised in the balance sheet	-	(2,113,086)	(2,113,086)

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 21. Pension liability (continued)

#### Profit and loss:

Amounts recognised in profit and loss were as follows:

	2016		
	EPS scheme	Other schemes	Total
	£	£	£
Current service cost	(412,000)	-	(412,000)
Past service cost	-	-	-
<b>Total expenses relating to defined benefit plan</b>	<b>(412,000)</b>	<b>-</b>	<b>(412,000)</b>
<b>Net interest cost</b>	<b>(10,000)</b>	<b>71,000</b>	<b>61,000</b>
	2015		
	EPS scheme	Other schemes	Total
	£	£	£
Current service cost	(612,000)	-	(612,000)
Past service cost	611,000	-	611,000
<b>Total expenses relating to defined benefit plan</b>	<b>(1,000)</b>	<b>-</b>	<b>(1,000)</b>
<b>Net interest cost</b>	<b>(13,000)</b>	<b>95,000</b>	<b>82,000</b>

#### Other Comprehensive Income:

Amounts recognised in other comprehensive income were as follows:

	2016		
	EPS scheme	Other schemes	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	(491,000)	(10,676,000)	(11,167,000)
Arising from changes in financial assumptions	12,082,000	82,047,000	94,129,000
Arising from changes in demographic assumptions	-	-	-
<b>Total actuarial loss before consideration of asset ceiling</b>	<b>11,591,000</b>	<b>71,371,000</b>	<b>82,962,000</b>
Return on plan assets excluding interest income	(5,502,000)	(50,972,000)	(56,474,000)
(Gain) /loss resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(6,113,000)	(15,557,000)	(21,670,000)
<b>Total actuarial (gain)/loss recognised in other comprehensive income</b>	<b>(24,000)</b>	<b>4,842,000</b>	<b>4,818,000</b>
	2015		
	EPS scheme	Other schemes	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	(106,000)	774,000	668,000
Arising from changes in financial assumptions	(884,000)	(7,007,000)	(7,891,000)
Arising from changes in demographic assumptions	(106,000)	(1,274,000)	(1,380,000)
<b>Total actuarial gain before consideration of asset ceiling</b>	<b>(1,096,000)</b>	<b>(7,506,914)</b>	<b>(8,602,914)</b>
Return on plan assets excluding interest income	1,184,000	17,962,000	19,146,000
(Gain) /loss resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	450,000	(10,032,000)	(9,582,000)
<b>Total actuarial loss recognised in other comprehensive income</b>	<b>538,000</b>	<b>423,000</b>	<b>961,000</b>

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 21. Pension liability (continued)

Movements in the present value of the defined benefit scheme assets, obligations and minimum funding requirement in the current year were as follows:

EPS:

	2016			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2016	38,219,000	(6,378,000)	(31,841,000)	-
Current service cost	-	-	(412,000)	(412,000)
Interest income/(expense)	1,385,000	(231,000)	(1,144,000)	10,000
Past service cost	-	-	-	-
Actuarial gain/(loss)	5,502,000	6,113,000	(11,591,000)	24,000
Employer contributions	378,000	-	-	378,000
Contributions from scheme participants	83,000	-	(83,000)	-
Benefits paid from plan assets	(547,000)	-	547,000	-
At 31 December 2016	<u>45,020,000</u>	<u>(496,000)</u>	<u>(44,524,000)</u>	<u>-</u>

	2015			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2015	38,085,102	(5,707,102)	(32,378,000)	-
Current service cost	-	-	(612,000)	(612,000)
Interest income/(expense)	1,339,000	(221,000)	(1,105,000)	13,000
Past service cost	-	-	611,000	611,000
Actuarial gain/(loss)	(1,184,000)	(450,000)	1,096,000	(538,000)
Employer contributions	526,000	-	-	526,000
Contributions from scheme participants	96,000	-	(96,000)	-
Benefits paid from plan assets	(643,000)	-	643,000	-
At 31 December 2015	<u>38,219,102</u>	<u>(6,378,102)</u>	<u>(31,841,000)</u>	<u>-</u>

For the other schemes:

	2016			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2016	455,548,000	(75,758,000)	(381,903,086)	(2,113,086)
Current service cost	-	-	-	-
Interest income/(expense)	16,108,000	(2,742,000)	(13,437,000)	(71,000)
Past service cost	-	-	-	-
Actuarial gain/(loss)	50,972,000	15,557,000	(71,370,000)	(4,842,000)
Employer contributions	603,000	-	-	603,000
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets	(22,916,000)	-	23,065,000	149,000
At 31 December 2016	<u>500,315,000</u>	<u>(62,943,000)</u>	<u>(443,646,000)</u>	<u>(6,274,000)</u>

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 21. Pension liability (continued)

For the other schemes:

2015

	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2015	477,398,000	(82,888,000)	(397,005,000)	(2,495,000)
Current service cost	-	-	-	-
Interest income/(expense)	16,329,000	(2,902,000)	(13,522,000)	(94,000)
Past service cost	-	-	-	-
Actuarial gain/(loss)	(17,962,000)	10,032,000	7,506,000	(423,000)
Employer contributions	751,000	-	-	751,000
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets	(20,968,000)	-	21,117,000	149,000
<b>At 31 December 2015</b>	<b>455,548,000</b>	<b>(75,758,000)</b>	<b>(381,903,086)</b>	<b>(2,113,086)</b>

Scheme assets do not include any of Evonik UK Holdings Limited's own financial instruments, or any property occupied by Evonik UK Holdings Limited.

#### Plan asset information

2016

	EPS scheme	Other schemes	Total
<b>Allocation percentage</b>			
Equity securities	29.50%	13.53%	14.84%
Government bonds	58.75%	85.98%	83.74%
Pensioner annuities	11.75%	0.49%	1.42%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
 <b>Fair value of plan assets</b>	 <b>45,020,000</b>	 <b>500,315,000</b>	 <b>545,335,000</b>

#### Plan asset information

2015

	EPS scheme	Other schemes	Total
<b>Allocation percentage</b>			
Equity securities	33.80%	14.40%	15.90%
Government bonds	53.70%	84.60%	82.20%
Pensioner annuities	12.50%	1.00%	1.90%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
 <b>Fair value of plan assets</b>	 <b>38,219,102</b>	 <b>455,548,000</b>	 <b>493,767,102</b>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

# Evonik UK Holdings Ltd

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 21. Pension liability (continued)

	2016		2015	
	EPS scheme	Other schemes	EPS Scheme	Other schemes
<b>Assumptions and dates used at disclosure</b>				
Discount rate	2.46%	2.46%	3.62%	3.47% - 3.90%
Retail price inflation	3.47%	3.47%	3.17%	3.17% - 3.30%
Rate of salary increase	4.47%	-	4.17%	-
Pension increases for in-payment benefits	2.47%	3.27% - 4.47%	2.17%	2.97% - 4.17%
Pension increases for deferred benefits	2.47%	2.47%	2.17%	2.17% - 2.30%
Plan Participant Census date	31-Oct-15	31-Mar-15	31-Oct-15	31-Mar-15

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily borne out in practice.

	EPS scheme years	Other schemes	EPS Scheme years	Other schemes
<b>Longevity at age 65 for current pensioners:</b>				
- Men	23.8	21.5 - 22.6	23.7	21.5 - 22.5
- Women	25.1	23.7 - 24.9	25.0	23.6 - 24.8
<b>Longevity at age 65 for future pensioners:</b>				
- Men	23.9	22.8 - 23.8	23.8	22.7 - 23.7
- Women	26.5	25.0 - 26.6	26.4	25.0 - 26.5

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of an increase in the respective assumptions by one percent.

	EPS scheme	Other schemes	EPS Scheme	Other schemes
Discount rate	-19%	-13%	-18%	-13%
Price inflation	15%	7%	15%	7%
Rate of salary increase	6%	N/A	6%	N/A

### Stakeholder Pension Plan

The Company also operates a defined contribution stakeholder pension plan which is open to new employees. The cost recognised in the year for the Company's contributions amounted to £4,379 (2015: £3,926). Outstanding contributions at the balance sheet date amounted to £nil (2015: £nil).