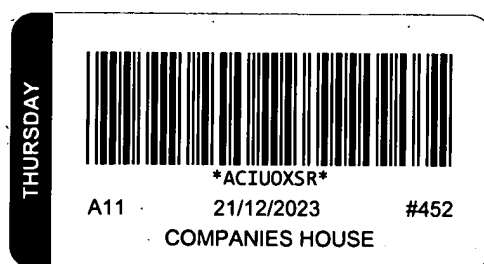


Registered number: 00486170

## DOW SILICONES UK LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



# **DOW SILICONES UK LIMITED**

## **CONTENTS**

	Page(s)
<b>Company Information</b>	1
<b>Strategic Report</b>	2 - 5
<b>Directors' Report</b>	6 - 12
<b>Directors' Responsibilities Statement</b>	13
<b>Independent Auditor's Report to the Member of Dow Silicones UK Limited</b>	14 - 16
<b>Statement of Comprehensive Income</b>	17
<b>Balance Sheet</b>	18
<b>Statement of Changes in Equity</b>	19
<b>Notes to the Financial Statements</b>	20 - 42

## COMPANY INFORMATION

<b>Directors</b>	S F Dopp P E Anstead J E Case A R Laney M Spindler
<b>Company Secretary</b>	C A Jenkins
<b>Registered Number</b>	00486170
<b>Registered Office</b>	Barry Plant Cardiff Road Barry Glamorgan CF63 2YL
<b>Independent Auditor</b>	Deloitte LLP Bristol United Kingdom
<b>Bankers</b>	Deutsche Bank AG 1 Great Winchester Street London EC2N 2DB

## **DOW SILICONES UK LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present the Strategic Report of Dow Silicones UK Limited (the "company") for the year ended 31 December 2022.

#### **PRINCIPAL ACTIVITY**

The company's principal activity during the year continued to be the manufacture and marketing of silicone products.

#### **BUSINESS REVIEW**

Our business strategy in 2022 was a to keep a good balance between sales volume and profit generation. The production remained stable during 2022. Operationally, our focus is constant in having a best in class safety and process safety performance while we continue to improve our reliability and efficiency.

#### **PERFORMANCE REVIEW**

As shown in the Company's profit and loss account on page 17, turnover increased from £497,130,000 in 2021 to £580,707,000 in 2022. The turnover is intercompany generated and is increased as a result of market conditions (increase in price).

Other operating expense has increased from £116,000 in 2021 to an other operating expense of £2,078,000 in 2022 which was mostly related to intercompany costs. The profit before taxation has decreased from £84,215,000 in 2021 to a profit before taxation of £4,512,000 in 2022. The main reason for the difference was a one-off pension rebill of £73,000,000 in 2021. The balance sheet on page 18 of the financial statements shows the Company's financial position. At the year end the Company had net assets of £328,274,000 (2021: £320,446,000) and net current assets of £155,774,000 (2021: £153,824,000). The main contributing movement of the assets was the increase in inventory which is partially offset with a decrease of the debtors.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Our principal risks fall into two categories. The first is the uncertainty around the UK's long-term position and competitiveness in a global market. The second relates to regulatory challenges and inflation/interest rates increases leading to high energy costs within Europe, and their impact on the competitiveness of EU-based businesses.

Whilst these uncertainties will continue through 2023 and beyond, the company's strategy for long-term success is clear and robust and its foundation remains financially strong. We continue to take the necessary action to strengthen our position and to invest in developing innovative products for the company's customers.

The Company manages competitive pressure risk both within the UK and overseas by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries and by maintaining strong relationships. The company's product portfolio contains high technology products which increase the company's competitiveness in the market. The company aims to maintain this competitive advantage by continually responding to the high technological needs of the customers.

**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**SECTION 172**

Our ambition is to be the most innovative, customer-centric, inclusive and sustainable materials science company in the world. For this ambition to become reality, successful collaboration internally and externally is critically important. While Dow's ambition and many of the supporting policies and frameworks are global in nature, implementation thereof takes place locally and requires local and national relationships with a variety of stakeholders, including our employees, customers, suppliers, communities, and government and regulators. Dow Silicones UK Limited has a corporate direct shareholder and is ultimately indirectly owned by the publicly listed company, Dow Inc. Dow Inc. shares are traded at the New York Stock Exchange so these shareholders do not have a direct influence on Dow's UK operations.

**Employees**

The Dow Silicones UK Limited -employees play a critical role in achieving our ambition. We work every day to foster a culture where everyone is respected, valued, and has an equal opportunity to contribute and advance. Our people are using their unique perspectives and backgrounds to find new ways to solve challenges and exceed customer expectations in an environment of inclusion, diversity and integrity.

Across the UK, several Employee Resource Groups (ERGs) help ensure we lead the way in innovative solutions around inclusion and addressing inclusion or diversity barriers. We consider this to be best practice and continue to encourage open dialogue from our employees and employee resource group members. An Inclusion Council is active in addition to the ERGs. The group, including representatives from all functions and sites, helps identify areas for improvement and helps reinforce communications around UK facilities or policies. The Inclusion Council also includes a number of employee representatives should we need to consult on any fundamental changes.

Through regular (virtual) townhalls, internal news updates and direct leader engagement, employees are kept up to date on developments in DSUK. Through Dow's global Voice survey, employees can provide feedback on their employee experience while also providing leaders with insights into how to improve Dow's working culture. The feedback received is used to drive actions to improve the overall Dow experience for employees across the company.

**Customers**

Alongside our customers, we create the materials and solutions that transform our world. We collaborate closely with our customers to help invent solutions to their toughest challenges and strive to make it easier and more enjoyable to do business with us – in person or virtually. To that end the R&D capability at the Dow Silicones UK Limited Barry sites aim to enable close customer collaboration on trials, innovation, application and product development. Personal relationships and interaction are key. Through Dow's commercial teams we understand current and future needs and help develop solutions. A recurring Customer Experience survey provides insights into the Company's performance against a range of indicators including the ease of doing business, technical understanding and supply chain. Survey results have been used to provide additional and more transparent Supply Chain metrics which have helped measure and manage expectations for improved customer relationships.

**Suppliers**

Our Purchasing teams collaborate with suppliers worldwide to proactively help our businesses meet and exceed their goals for profitability, growth, innovation, and sustainability. We are dedicated to working closely with local suppliers to implement our strategic purchasing requirements. Dow will help local suppliers to understand the needs and the potential actions for their businesses which will help them to be competitive. We also recognise engagement of small and diverse suppliers maximises bottom-line value, drives innovation and supports economic growth.

**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**SECTION 172 (CONTINUED)**

**Suppliers (continued)**

Dow's supplier diversity initiative focuses on identifying and building relationships with enterprises owned by minorities, women, veterans, LGBTQ and disabled people as well as certified small businesses. In this context, Dow currently collaborates with WEConnect and MSDUK in the UK. WEConnect International is a corporate-led non-profit that helps build sustainable communities and economic growth by empowering women business owners to succeed in global markets. Dow UK is also currently involved in activities promoted by MSDUK which stands for unlocking innovation through diversity. MSDUK brings together innovative and high growth ethnic minority businesses (EMBs) with global corporations committed to creating an inclusive and diverse supply chain.

**Communities**

At Dow, our Global Citizenship strategy is guided by our 3 strategic pillars which aim at making a positive difference and impact in our communities. Our pillars are, (1) Developing Tomorrow's Innovators - Dow values the power of education and believes to be the most innovative, customer-centric, inclusive and sustainable material science company. This pillar plays a significant part of who we are at Dow and what we believe will have a lasting impact on the next generation. We invest in STEM programs that help build the skills of the youth to become innovators and critical thinkers. (2) Advancing Sustainable Solutions - We see the role of business as a driver of innovation that protects life and the environment while helping create business growth. By combining Dow products, technology and expertise, we provide solutions that aim to support waste collection, support circular economy solutions, aid research and data to drive environmental action, address climate change risks and discover new ways of using Dow products for sustainable cause. (3) Building Inclusive Communities - We help communities thrive by partnering with organisations to create more inclusive places to live and work.

The team in Dow connects with the community in various ways across these 3 pillars with projects like "Pulling Our Weight" campaigns around plastic waste management as well as STEM programs and initiatives with local schools among others. Dow employees volunteer their time and talents to support the community and create platforms for dialogue and exchange of views.

At the Barry site, Dow hosts a Community Advisory Panel (CAP). The CAP consists of representatives of the local community such as residents, councillors and members of the emergency services, and representatives from the companies on the chemical complex. The panel serves as a liaison between the local community and the chemical companies on the complex. It is a forum for the community representatives to convey their questions, concerns or comments. As a result of this interaction four fence line noise meters to identify noise sources have been installed. The panel meets quarterly. The team in Barry also connects with the community in other ways. Through the Nature Education Centre, Math's Mentoring program, School Eco Club and Dow's donations program, among others, the team volunteers their time and talents to support the community and create platforms for dialogue and exchange of views.

**Government & regulators**

We aim to maintain dialogue with governments and engage in policy debates that are of concern to us and the communities in which we operate. This includes participation in relevant consultations, calls for evidence and parliamentary inquiries, as well as policy engagement, both directly and through trade or industry bodies. Our business is subject to wide-ranging regulatory oversight. The monitoring of policy initiatives, and the design and implementation of engagement plans around significant issues, is managed by specialist teams both within the United Kingdom and more broadly across the Company. This process is regularly reviewed and reinforced by the Company's operational leadership.

Dow Silicones UK Limited has regular interactions with local regulators (including Natural Resources Wales and the Health and Safety Executive) to ensure compliance and sustainability of its business operations. Dow Silicones UK Limited is represented on chemical industry associations (CIA, CEFIC) addressing relevant regulatory issues.

**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**KEY PERFORMANCE INDICATORS**

The Dow group manages its operations on the basis of global business units across legal entities globally. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

This report was approved by the board and signed on its behalf by:



**J E Case**  
Director

15 December 2023

## **DOW SILICONES UK LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their annual report and the audited financial statements of Dow Silicones UK Limited for the year ended 31 December 2022.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £8,243,000 (2021: £67,177,000).

The results for the year are set out in the accompanying statement of comprehensive income which shows a profit before tax of £4,512,000 (2021: £84,215,000).

The company now provides approximately 21.7% (2021: 25.1%) of Dow's global capacity for the manufacture of Di-methyl. Di-methyl siloxanes are the main building blocks for silicones and are the backbone for more than 95% of Dow's approximately 8000 silicone products.

The directors do not recommend the payment of a dividend (2021: £ nil). No dividends have been paid subsequent to 31 December 2022 up until the date of approval of these financial statements.

#### **GOING CONCERN**

Dow Silicones UK Limited ('the Company') generates turnover by billing product to Dow consolidated entities and acting as a Contract Manufacturer for other Dow companies. The Company is part of The Dow Chemical Company group ('the Group').

The cash position of the Company is being managed centrally by the Group's Corporate Treasury team in order to optimise the use of cash across the Group and to minimise exposure to risks (such as currency fluctuations). The Company is therefore dependent on the wider Group for its working capital funding. The Group has provided confirmation to the Company that it will provide support for at least 12 months from the date of approval of these financial statements and will assist in meeting the liabilities of the Company as and when they fall due.

Based on current Group forecasts, current financial position and the ability to access additional available credit lines, the Group directors believe the Group has sufficient liquidity to continue as a going concern for the foreseeable future.

The Group's production volumes have been adjusted in order to control inventory levels and working capital, as well as to control variable cost such as raw materials and utilities in line with demand. Customer Credit facilities are being controlled tightly as usual to ensure that the risk for potential uncollectible receivables remains low. As part of the Group's crisis management actions, the Supply Chain function closely monitors the developments globally and adjusts where necessary, to ensure product flows to customers as well as raw materials to the respective production locations can continue using the most optimal available Supply Chains and distribution channels.

Based upon these considerations, the Company directors have a reasonable expectation that the Group from which it receives working capital funding has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company directors continue to adopt the going concern basis in preparing the annual financial statements.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The following assessment is valid for the current business activities of Dow Silicones UK Limited:

**a) Turnover**

The turnover of 2022 has increased by approximately 16.8% compared to the year 2021. The margin or profit on product sold is realised through the application of the agreed upon intercompany profit. Production volumes have been adjusted in order to control inventory levels and working capital, as well as to control variable cost such as raw materials and utilities in line with demand. Most of the companies sales are intercompany, therefore the company does not face an uncollectable receivable risk. We do not expect that any of the customers, being consolidated Dow companies, will have issues to settle their payables. The biggest internal customer in this sense is Dow Silicones Corporation, given the contract manufacturing agreement which is in place.

**b) Supply Chain and Procurement**

The Supply Chain function closely monitors the developments globally and adjusts where necessary, to ensure product flows to customers as well as raw materials to the respective production locations can continue using the most optimal available Supply Chains and distribution channels.

With regards to Procurement, the functional experts operate in a global network of experts to try and secure continued supply of raw materials and services in line with production levels and demand of the respective sites, plants and functions.

**c) Cash and Cash Flow**

Cash positions of Dow subsidiaries are being managed centrally by the Corporate Treasury team in order to optimise the use of cash across Dow and to minimise exposures and risks (such as currency fluctuations). Based on current models, expectations and the current financial position of Dow globally, the Corporate Executives continue to express their conviction that Dow has sufficient cash available, as well as additional available credit lines, to keep cash flow in operations normal. As can be expected under the current conditions, the Company tries to limit and reduce the cash out flow by reducing expenses where possible on the short term, without materially affecting the longer term ability to conduct business and limit our ability to serve its customers. Dow Silicones UK Limited does not have any direct external financing facilities or debt.

**d) Profitability and Business Volume**

Based on other global market conditions, product prices were increasing. The profitability of Dow was still good with 8.2 million GBP profit for the financial year. The company already had plans in place to further restore margins and maintain its competitive position. At this point in time, the Company is still assessing the future impact on business outlook and volumes.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

S F Dopp  
P Berry-Solomon (resigned on 1 September 2023)  
G E A van Poorten (resigned on 31 August 2023)  
P E Anstead  
J E Case  
A R Laney (appointed on 1 September 2023)  
M Spindler (appointed on 31 August 2023)

**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

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

**FINANCIAL RISK MANAGEMENT**

The main financial risks arising from the company's activities are credit risk, foreign currency risk, liquidity risk and interest rate cash flow risk.

**Credit risk**

The credit risk to the company is made up of cash, trade debtors, amounts owed by group companies and other debtors. A large proportion of the company's sales are to other companies within the group. The company has implemented appropriate credit control policies that require credit evaluations on potential third party customers before sales are made.

**Foreign currency risk**

The company conducts business in many foreign countries and as a result is exposed to movements in foreign currency exchange rates. The company's exposure to exchange rate effects is from exchange rate movements on financial instruments and transactions denominated in foreign currencies that impact earnings. The company's most significant foreign currency exposures relate to the US Dollar and the Euro. The exchange rate risks are managed on a group basis by the group's treasury function and; as a result, the company selectively enters into foreign exchange forward contracts and options with other group companies to hedge its exposure to these risks. There are no forward contracts in place at 31 December 2022.

**Liquidity risk**

Dow Silicones UK Limited makes use of the group treasury function which is based in the Netherlands. The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient funds for operations and planned expansions.

**Interest rate cash flow risk**

The company is generally funded by intra-group borrowings. The principal terms of these borrowings are disclosed in note 17.

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**ENVIRONMENTAL MATTERS**

The company seeks to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations. The accounting period is the same period in respect of which the director's report is prepared.

**Environment - Streamlined Energy and Carbon reporting (SECR)**  
**2022 GHG Emissions data in metric tonnes CO2 and Energy intensity**

	2022	2021	
Scope 1 Combustion of fuels (actual)	118,221.78	146,631.82	tCO2
Scope 2 Purchased electricity (theoretical)	20,765.76	15,150.44	tCO2e
Scope 2 Purchased electricity (actual)	10,250.53	0 as all electricity purchased is "Green" from renewables	tCO2
Scope 3 – Business travel (calculated)	28.21	12.85	tCO2e
Total CO2 footprint	128,500.52	146,644.67	tCO2
Site production	2,938.62	3,787.63	unit
Carbon intensity	43.73	38.72	tCO2/unit
Energy Intensity	235,437.74	206,840.87	kWh/unit

**REPORTING METHODOLOGY**

Scope 1 - CO2 data will be collected from 7 site specific sources on a monthly basis. CO2 will be calculated using EF, OF and NCV as specified in the ETS permit. Direct CO2 data from the plant is calculated using flowmeter data, analyser data and calculated emission factors. This methodology mirrors that used for existing ETS and TCFD reporting.

Scope 2 – Theoretical CO2 is calculated from the purchased electricity using UK factors from UK Government GHG Conversion Factors for Company Reporting. Actual Scope 2 emissions take into account the type of electricity purchased.

Scope 3 – CO2 is calculated from vehicles used off site using the mileage recorded and calculated using UK factors from UK Government GHG Conversion Factors for Company Reporting. Hire car data is calculated using road fuel purchased by employees and calculated using UK factors from UK Government GHG Conversion Factors for Company Reporting

kWh for Scope 1 and 3 are calculated from tCO2 using UK National factors

A non specific production unit of measure is used to calculate Energy intensity and Carbon intensity to protect intellectual property information.

**Measures to improve Energy Efficiency:**

In 2022 the company implemented the following measures to improve energy efficiency:

- Carried out significant maintenance to improve the reliability and performance of the turbines in the CHP Cogen area, which will increase electricity generation in the future.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**ENVIRONMENTAL MATTERS (CONTINUED)**

- Minimised operation of less energy efficient equipment when operating at lower production rates.
- Modified operating strategies to reduce energy intensive cleanouts and changeovers.

**CLIMATE CHANGE**

The company gives high importance to climate change. The sustainability policy of the company is managed globally. At Dow Inc., the Sustainability Team is charged to identify material sustainability risks and opportunities, including climate-related issues, and reports to the Board every quarter.

The company believes in the scientific consensus that climate change caused in part by increasing greenhouse gas from human activity has serious consequences for the planet and society if left unaddressed. The company supports the Paris Agreement and are committed to achieving its goal of keeping global temperature rise below 2°C. At this point, it is difficult to predict and assess the probability of potential risks related to climate change trends on the Company specifically.

The company is one of the pioneer companies incorporating a carbon price into its business planning and risk management strategies. The price of carbon is included in the Company's internal calculations used for prioritising capital projects.

The company's innovations are already at work improving people's lives around the world – making clothes fresher, foods healthier, water cleaner, medicines more effective and homes more energy-efficient. And that's just the beginning of the company's growing portfolio of solutions.

Buildings account for a considerable part of the total energy consumption. DOWSIL™ silicone sealants and structural glazing products contribute to the reduction of energy use and carbon emissions from buildings and achievement of LEED certification. Flexible anchors provided by DOWSIL™ silicone structural glazing systems minimize air infiltration, resulting in the potential for more energy-efficient performance. Thermal modelling programs demonstrate the thermal gains of silicone bonding in residential window manufacturing. With longer life cycles and application durability than their petroleum-based organic counterparts, silicones resist natural breakdown from environmental factors. With more than 40 years of proven performance, Dow silicone sealants have been used in building envelope, curtainwall and weatherproofing applications to withstand hurricanes, earthquakes, acid rain, typhoons and extreme humidity, heat and freeze conditions.

**FUTURE DEVELOPMENTS**

The company intends to continue the management policies of innovation and development. There are no intentions to change the principal activity of the company in the near future

**POLICY FOR PAYMENT TO CREDITORS**

It is the company's policy to agree the terms of each transaction with each of its major suppliers, ensuring suppliers are aware of the terms of payment, and then abide by the terms of payment.

**RESEARCH AND DEVELOPMENT**

During 2022 the company has continued to support a research and development activity at its Barry site. The focus is on improving process efficiency, reducing waste and minimising the carbon footprint. The company spent £1.0 million on research and development during the year (2021: £0.9 million).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**INVOLVEMENT OF EMPLOYEES IN COMPANY AFFAIRS**

The company operates many formal and informal programmes to encourage the involvement of employees in its affairs. Regular management communication meetings are organised where senior representatives of management communicate the company's performance and plans with employees including regular team meetings, quarterly country leader briefings, and global quarterly company performance webcast. The company also consult employees, or their representatives, for views on matters affecting them via annual employee surveys and regular ongoing contact between leaders and teams. In addition, in order to increase employee involvement in the company's performance, the company promotes long term incentive plan and an annual bonus plan if certain performance targets are met. Employee Stock Purchase Plan was maintained as well in 2022.

**EMPLOYMENT OF DISABLED PERSONS**

The company operates a policy of employee selection and promotion which is impartial and based on capability for job accomplishment and career development. This includes being able to comply with health, safety and environmental legislation and site rules and regulations.

No employee, potential employee or past employee shall receive less favourable treatment or consideration on the grounds of gender, sexual orientation, age, race, ethnic origin, colour, religion or beliefs, disability, nationality or marital status. Registered disabled employees or potential employees will not be discriminated against, other than on operational grounds of health, safety or excessive costs in relation to being competitive in our industry.

The company will ensure that adequate facilities are provided to meet the needs of all employees. When new facilities are being designed, such factors as access for the disabled or the provision of facilities for employees of specific religions/beliefs will be considered and accommodated where possible, subject to costs not being excessive.

**SOCIAL MATTERS**

The company committed to making positive change through community partnerships, charitable giving and volunteerism. The company committed to solve world's challenging problems through its science, expertise, volunteerism and donations. Through relationships with its neighbors and partners company, the company support initiatives that address the goals and needs of the community and seek to leverage our capabilities to support those communities.

**HUMAN RIGHTS**

As company policy the dignity, rights and aspirations of all people are respected by the company. The company recognise and respect all applicable labor and employment laws including those addressing freedom of association, privacy and equal employment opportunity. The company strive to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and the Company's mission. The company comply with all applicable child labor laws and laws against human trafficking. In addition per local laws and regulations and companies code of conduct, forced or involuntary labor in not used by the company.

**BRIBERY AND CORRUPTION**

The company committed to maintaining the highest ethical and legal standards in its relationships around the world. In order to conduct this relationship, bribery or corruption in any form is not tolerated. According to code of conduct of the company, any kind of interaction with government officials and gifts are subject to intercompany approval policy.

**DOW SILICONES UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**DISCLOSURE OF INFORMATION TO AUDITOR**

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


- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**INDEPENDENT AUDITOR**

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:

  
**J E Case**  
Director

15 December 2023

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of DOW SILICONES UK LIMITED (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 28.

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

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

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)**

**Responsibilities of directors (Continued)**

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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



Mark Boxall, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, United Kingdom  
15 December 2023

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	580,707	497,130
Cost of sales		(571,630)	(409,239)
<b>Gross profit</b>		<b>9,077</b>	<b>87,891</b>
Distribution costs		(6,915)	(6,280)
Administrative expenses		(958)	(965)
Other operating expense		(2,078)	(116)
<b>Operating (loss)/profit</b>	5	<b>(874)</b>	<b>80,530</b>
Finance net income/(costs)	9	866	(31)
Other finance income	23	290	1,131
Gain on foreign exchange		4,230	2,585
<b>Profit before tax</b>		<b>4,512</b>	<b>84,215</b>
Tax on profit	11	3,731	(17,038)
<b>Profit for the financial year</b>		<b>8,243</b>	<b>67,177</b>
Actuarial loss on defined benefit pension scheme	23	(553)	(72,423)
Movement of deferred tax relating to pension surplus	18	138	18,105
<b>Other comprehensive expense for the financial year</b>		<b>(415)</b>	<b>(54,318)</b>
<b>Total comprehensive income for the financial year</b>		<b>7,828</b>	<b>12,859</b>
<b>Total comprehensive income attributable to the shareholders of the company</b>		<b>7,828</b>	<b>12,859</b>

The statement of comprehensive income relates wholly to continuing operations.

The notes on pages 20 to 42 form part of these financial statements.

**DOW SILICONES UK LIMITED**  
**REGISTERED NUMBER: 00486170**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Non-current assets</b>			
Tangible assets	12	136,944	135,140
Deferred tax asset	18	20,504	16,635
Pension asset	23	15,399	15,662
		<u>172,847</u>	<u>167,437</u>
<b>Current assets</b>			
Stocks	13	84,019	45,858
Debtors	15	177,333	209,517
Cash at bank and in hand	14	-	149
		<u>261,352</u>	<u>255,524</u>
Creditors: amounts falling due within one year	16	<u>(105,578)</u>	<u>(101,700)</u>
<b>Net current assets</b>		<u>155,774</u>	<u>153,824</u>
<b>Total assets less current liabilities</b>		<u>328,621</u>	<u>321,261</u>
<b>Provisions for liabilities</b>			
Other provisions	19	<u>(347)</u>	<u>(815)</u>
<b>Net assets</b>		<u>328,274</u>	<u>320,446</u>
<b>Capital and reserves</b>			
Called-up share capital	20	250,000	250,000
Share premium account	21	3,063	3,063
Revaluation reserve	21	275	275
Profit and loss account	21	74,936	67,108
<b>Total shareholders' funds</b>		<u>328,274</u>	<u>320,446</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**J E Case**  
 Director

15 December 2023

The notes on pages 20 to 42 form part of these financial statements.

**DOW SILICONES UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called-up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholder's funds £'000
<b>At 1 January 2021</b>	<b>250,000</b>	<b>3,063</b>	<b>275</b>	<b>54,249</b>	<b>307,587</b>
<b>Comprehensive income for the financial year</b>					
Profit for the financial year	-	-	-	67,177	67,177
Actuarial loss on pension scheme and associated deferred tax movement (notes 18 and 23)	-	-	-	(54,318)	(54,318)
<b>Other comprehensive expense for the financial year</b>	-	-	-	(54,318)	(54,318)
<b>Total comprehensive income for the financial year</b>	-	-	-	12,859	12,859
<b>At 31 December 2021 and 1 January 2022</b>	<b>250,000</b>	<b>3,063</b>	<b>275</b>	<b>67,108</b>	<b>320,446</b>
<b>Comprehensive income for the financial year</b>					
Profit for the financial year	-	-	-	8,243	8,243
Actuarial loss on pension scheme and associated deferred tax movement (notes 18 and 23)	-	-	-	(415)	(415)
<b>Other comprehensive expense for the financial year</b>	-	-	-	(415)	(415)
<b>Total comprehensive income for the financial year</b>	-	-	-	7,828	7,828
<b>At 31 December 2022</b>	<b>250,000</b>	<b>3,063</b>	<b>275</b>	<b>74,936</b>	<b>328,274</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. GENERAL INFORMATION**

The Dow Silicones UK Limited (the "company") is a private company limited by shares and is incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. The address of its registered office is Barry Plant, Cardiff Road, Barry, Glamorgan CF63 2YL.

The principal activity is that of the manufacturing and marketing of silicone products.

**2. ACCOUNTING POLICIES**

**2.1 GENERAL INFORMATION AND BASIS OF ACCOUNTING**

The financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Group.

The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

The following principal accounting policies have been applied consistently throughout the year:

**2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED  
DISCLOSURE EXEMPTIONS**

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dow Inc. as at 31 December 2022 and these financial statements may be obtained from Dow Inc. Corporate Trust Centre, 1209 Orange Street, Wilmington, New Castle 19801, Delaware, USA.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.3 GOING CONCERN**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The Company is part of The Dow Chemical Company ('the Group') from which it received confirmation that from the date of approval of these financial statements the Group will continue to assist in meeting the liabilities of the Company as and when they fall due. As with any entity placing reliance on other Group entities for financial support, the Company acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this understanding the Company directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence; thus they continue to adopt the going concern basis in preparing the financial statements.

Further details can be found in the Directors' Report on page 6.

**2.4 TURNOVER**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover is recognised in accordance with 'inco-terms' that are agreed on a customer-by-customer basis. These 'inco-terms' identify when the risks and rewards of ownership pass to the customer, at which point the company recognises the sale.

**2.5 INTEREST INCOME**

Interest income is recognised in the statement of comprehensive income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.6 FINANCE COSTS**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.7 TANGIBLE FIXED ASSETS**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- up to 50 years
Short leasehold buildings	- up to 50 years
Plant and equipment	- 18 years
Assets under construction	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income within other operating income.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 STOCKS AND WORK IN PROGRESS**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on a first in, first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**2.9 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The cash position of the Company is being managed centrally by the Group's Corporate Treasury team in order to optimise the use of cash across the Group and to minimise exposure to risks (such as currency fluctuations). The Company is therefore dependent on the wider Group for its working capital funding.

**2.10 DEBTORS**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.11 CREDITORS**

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.12 FINANCIAL INSTRUMENTS**

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

*(i) Financial assets*

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*(ii) Financial liabilities*

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as Creditors: amounts falling due within one year if payment is due within one year or less. If not, they are presented as Creditors: amounts falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

*(ii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.13 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derivative financial instruments are managed throughout the group by a centralised treasury function. The group uses derivative financial instruments to reduce the impact of changes in foreign exchange rates on its earnings, cash flows and fair values of assets and liabilities. The group enters into derivative financial contracts based on analysis of specific and known economic exposures. The group's policy prohibits holding or issuing derivative financial instruments for trading or speculative purposes. The types of instruments typically used are forward contracts, but may also include option combinations and purchased option contracts.

At 31 December 2022 the company has no derivative contracts (2021: none).

**2.14 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.15 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.16 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

2. ACCOUNTING POLICIES (CONTINUED)

2.17 RESEARCH AND DEVELOPMENT

Research and development costs are written off in the year in which they are incurred. Research and development expenditure comprises wages and salaries, materials and attributable overheads.

2.18 SHARE CAPITAL

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

2.19 LEASED ASSETS

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*(i) Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.20 PENSIONS

**Defined benefit pension plan**

The company operated a defined benefit pension scheme, which closed to new entrants in December 2005 and closed for future service accrual in December 2013, with assets held in a separately administered fund. The assets of the scheme are valued using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are included in other comprehensive income.

The company contributes to a fully insured group personal pension plan managed by an outside insurer, for all employees. The pension cost in respect of the personal pension plan comprises contributions payable in respect of the year.

**Defined contribution plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.21 IMPAIRMENT OF FIXED ASSETS AND GOODWILL**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Critical accounting judgements and the key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Critical judgements in applying the Company's accounting policies**

There are no critical judgements in applying the company's accounting policies.

**Key source of estimation uncertainty**

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

**Defined benefit pension scheme**

The company has obligations 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 the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**4. TURNOVER**

An analysis of turnover by class of business is as follows:

	<b>2022</b>	2021
	<b>£000</b>	£000
Sale of goods	<b>580,707</b>	497,130

Analysis of turnover by country of destination:

	<b>2022</b>	2021
	<b>£000</b>	£000
Rest of the World	<b>580,707</b>	497,130
	<b>580,707</b>	497,130

Further geographical analysis is not given here, as the directors believe it would be seriously prejudicial to the business.

**5. OPERATING PROFIT/(LOSS)**

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

	<b>2022</b>	2021
	<b>£000</b>	£000
Research and development charged as an expense	<b>997</b>	890
Depreciation of tangible assets	<b>14,174</b>	13,684
Loss on foreign exchange	<b>(4,230)</b>	(2,585)
Operating lease rentals	<b>184</b>	875
Loss on disposal of fixed assets	<b>2</b>	117
Cost of inventories charged as expense	<b>(433)</b>	(21)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**6. AUDITOR'S REMUNERATION**

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Fees payable to the company's auditor for the audit of the company's annual financial statements	<b>18</b>	<b>17</b>
Other non-audit services	<b>1</b>	<b>-</b>

**7. EMPLOYEES**

Staff costs were as follows:

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Wages and salaries	<b>45,745</b>	<b>51,861</b>
Social security costs	<b>4,068</b>	<b>4,144</b>
Other pension costs	<b>(290)</b>	<b>(1,131)</b>
	<b>49,523</b>	<b>54,874</b>

Other pension costs includes only those defined benefit scheme costs included within operating costs, interest.

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

	<b>2022</b> <b>Number</b>	<b>2021</b> <b>Number</b>
Management and administration	<b>52</b>	<b>63</b>
Production and research	<b>539</b>	<b>510</b>
Sales	<b>2</b>	<b>2</b>
	<b>591</b>	<b>575</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**8. DIRECTORS' REMUNERATION**

	<b>2022</b>	2021
	<b>£000</b>	£000
Aggregate directors' remuneration		
Emoluments	<b>176</b>	251
Company contributions to money purchase pension scheme	<b>19</b>	38
Emoluments	<b>195</b>	289

The highest paid director received remuneration of £195,000 (2021: £174,000).

Retirement benefits have accrued for no directors (2021: none) in respect of defined benefit pension schemes. There are no directors participating in the company's personal pension plan (2021: none). There are no (2021: none) directors participating in the company's Group Self Invested Personal Pension Plan effective 1 January 2015.

**9. FINANCE COSTS (NET)**

	<b>2022</b>	2021
	<b>£000</b>	£000
Interest receivable from group companies	<b>(1,036)</b>	(11)
Interest payable to group companies	<b>125</b>	40
Other interest payable	<b>45</b>	2
	<b>(866)</b>	31

The interest on loans from group undertakings relates to the inter-company revolving loan with Dow International Finance SARL, Luxembourg, dated 1 July 2016.

**10. OTHER FINANCE INCOME AND EXPENSE**

	<b>2022</b>	2021
	<b>£000</b>	£000
Net interest on net defined benefit assets (note 23)	<b>(290)</b>	(1,131)
Net benefit income before special events (note 23)	<b>(290)</b>	(1,131)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**11. TAX ON PROFIT/(LOSS)**

	<b>2022 £000</b>	<b>2021 £000</b>
<b>Current tax</b>		
UK corporate income tax	-	6,791
<b>Total current tax</b>	<u>-</u>	<u>6,791</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(3,731)</u>	<u>12,926</u>
Changes to tax rates	<u>-</u>	<u>(2,679)</u>
<b>Total deferred tax</b>	<u>(3,731)</u>	<u>10,247</u>
<b>Total tax charge/(credit)</b>	<u><u>(3,731)</u></u>	<u><u>17,038</u></u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	<b>2022 £000</b>	<b>2021 £000</b>
Profit before taxation	<u><u>4,512</u></u>	<u><u>84,214</u></u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	857	16,001
<b>Effects of:</b>		
Expenses not deductible for tax purposes	383	392
Effect of increased deferred tax rate	-	(2,679)
Deferred tax impact on movement in temporary differences	392	3,032
Deferred tax impact on ATR	<u>(5,363)</u>	<u>292</u>
<b>Total tax charge/(credit) for the year</b>	<u><u>(3,731)</u></u>	<u><u>17,038</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**11. TAX ON PROFIT/(LOSS) (CONTINUED)**

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had been substantively enacted at the balance sheet date, as result the UK deferred tax balances as at 31 December 2022 are measured at 25%.

**12. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 January 2022	101,118	190	597,015	7,437	705,760
Additions	-	-	2,831	13,151	15,982
Disposals	-	-	(286)	-	(286)
Transfers between classes	24	-	3,265	(3,289)	-
At 31 December 2022	101,142	190	602,825	17,299	721,456
<b>Accumulated Depreciation &amp; Impairments</b>					
At 1 January 2022	67,806	165	502,649	-	570,620
Charge for the year	2,266	2	11,908	-	14,176
Disposals	-	-	(284)	-	(284)
Transfers	-	-	-	-	-
At 31 December 2022	70,072	167	514,273	-	584,512
<b>Net book value</b>					
At 31 December 2022	31,070	23	88,552	17,299	136,944
At 31 December 2022	33,311	25	94,367	7,437	135,140

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**12. TANGIBLE FIXED ASSETS (CONTINUED)**

Included within freehold land and buildings are amounts for external valuations performed on certain freehold land as at 30 June 1966.

The historic cost of the freehold land is £553,000 (2021: £553,000). The amounts of the valuation are as follows:

	<b>2022</b>	2021
	<b>£000</b>	£000
Freehold land	<b>828</b>	828

**13. STOCKS**

	<b>2022</b>	2021
	<b>£000</b>	£000
Raw materials and consumables	<b>69,261</b>	39,263
Finished goods and goods for resale	<b>14,758</b>	6,595
	<b>84,019</b>	45,858

A profit of £433,000 (in 2021: £21,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The replacement cost of stock is not materially different from that stated above.

**14. CASH AT BANK AND IN HAND**

	<b>2022</b>	2021
	<b>£000</b>	£000
Cash at bank and in hand	<b>-</b>	149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**15. DEBTORS**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>		
Trade debtors	<b>1,575</b>	4,413
Amounts owed by group undertakings	<b>171,848</b>	203,598
Other debtors	<b>3,910</b>	1,506
	<b>177,333</b>	209,517

Amounts owed by group undertakings consist of intercompany loans and trade balances. The loans are revolving loans with the interest rate based on the one-month SOFR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Loans from group undertakings	<b>2,165</b>	6,154
Trade creditors	<b>52,723</b>	46,668
Amounts owed to group undertakings	<b>32,262</b>	17,716
Other taxation and social security	<b>18,009</b>	20,577
Accruals and deferred income	<b>419</b>	10,585
	<b>105,578</b>	101,700

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

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one - month SOFR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

The terms of the loans from group undertakings are detailed in note 17.

**17. LOANS FROM GROUP UNDERTAKINGS**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Due within one year:</b>		
Inter-company revolving credit agreement with Dow International Finance SARL, Luxemburg dated 1 July 2016; zero-cash balancing.	<b>2,165</b>	6,154

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one month SOFR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**18. DEFERRED TAXATION**

	£000
At 1 January 2022	16,635
Charged to the profit or loss account	3,731
Changes to other comprehensive income	138
<b>At 31 December 2022</b>	<b>20,504</b>

The deferred tax asset is made up as follows:

	2022	2021
	£000	£000
Accelerated capital allowances	(9,118)	(7,893)
Tax losses carried forward	32,803	27,541
Other short-term timing differences	669	903
Pension deficit	(3,850)	(3,916)
	<b>20,504</b>	<b>16,635</b>

The deferred tax asset is recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur.

**19. PROVISIONS**

	2022	2021
At 1 January 2022	815	4,923
Charged to profit or loss	726	875
Utilised in year	(1,194)	(4,983)
<b>At 31 December 2022</b>	<b>347</b>	<b>815</b>

The provision relates to the estimated cost of restructuring the business and is due to be utilised over the next 12 months.

**DOW SILICONES UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**20. CALLED-UP SHARE CAPITAL**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>SHARES CLASSIFIED AS EQUITY</b>		
Allotted, issued, called up and fully paid		
250,000,000 (2021: 250,000,000) Ordinary shares of £1 (2021: £1) each	<b>250,000</b>	<b>250,000</b>

The company has one class of ordinary shares which carry no right to fixed income.

**21. RESERVES**

**Share premium account**

Share premium represents the amount subscribed for share capital in excess of the nominal value.

**Revaluation reserve**

The revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

**Profit and loss account**

Retained earnings represents all net gains and losses and transactions with owners that are not recognised elsewhere.

**22. CAPITAL COMMITMENTS**

At 31 December the company had capital commitments as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Contracted but not provided in these financial statements	<b>5,845</b>	<b>3,212</b>
	<b>£000</b>	<b>£000</b>
Capital commitments for tangible assets	<b>5,845</b>	<b>3,212</b>
Capital commitments for intangible assets	<b>-</b>	<b>-</b>
<b>At 31 December 2022</b>	<b>5,845</b>	<b>3,212</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

23. PENSION AND SIMILAR OBLIGATIONS

**Group Self Invested Personal Pension Plan**

All employees are now members of the Group Self Invested Personal Pension Plan; the plan is administered separately with no amounts outstanding at the end of 2022 (2021: no amounts outstanding).

**Defined Benefit Pension Scheme**

The active employees of the company are enrolled into the AON mastertrust defined contribution plan which is operated by AON.

Previously the company operated a Defined Benefit Pension Scheme. Some employees were members of a personal pension plan, the assets of which were held separately from those of the company in an independently administered fund. Other employees were members of the company defined benefit pension scheme with assets held in a separately administered fund. Effective 31 December 2013 the scheme was closed to the future accrual of benefits. Active members at the date of closure became Employee Deferred Members with the link to future salary escalation replaced with deferred revaluations, but with enhanced benefits compared to ordinary Deferred Pensioners while they remain in continuous employment with the company.

A comprehensive actuarial valuation of the company pension scheme was carried out at 31 December 2021 by Willis Towers Watson, independent consulting actuaries.

The results are based on a roll-forward of cashflows from this most recent triennial valuation.

Within the roll forward calculations since the valuation date, the impact of emerging inflation has been taken into account by making allowance for actual inflation up to 2 months prior to the year-end date.

We have then made adjustments, on an approximate basis, to reflect the actual cashflows over the period. Finally, the demographic assumptions have been updated since the previous year-end, as we have updated the assumptions to be in line with the assumptions used in the latest formal actuarial valuation, with the exception of post-retirement mortality:

- for the base table, the multipliers have been increased to remove the margin for prudence included in the actuarial valuation. This is identical to the approach used at the previous year-end.

- for the future improvements, allowance has been made in line with the latest CMI 2021 improvement rates subject to a long-term improvement rate of 1.25% per annum from 2021 onwards, and a 5% weighing for actual experience in the years 2020 and 2021.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK, although is subject to possible appeal in 2024. The Company are aware of this legal ruling and are assessing whether there is any potential impact upon the Company although currently no conclusion has been reached in this regard and as such no related quantification has been determined. The Company will continue to monitor the impact of this ruling and determine whether any accounting entries will be required which could impact both prior and future year financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**23. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

Composition of plan assets:

	2022 £000	2021 £000
Bonds	-	4,982
Insurance contracts	296,367	-
Cash and Derivatives	13,828	-
Others	1,868	493,220
<b>Total plan assets</b>	<b>312,063</b>	<b>498,202</b>

	2022 £000	2021 £000
Fair value of plan assets	312,063	498,202
Present value of plan liabilities	(296,664)	(482,540)
<b>Net pension scheme asset</b>	<b>15,339</b>	<b>15,662</b>

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Net interest on defined benefit liability	290	1,131
<b>Net benefit before special events</b>	<b>290</b>	<b>1,131</b>
<b>Actual return on scheme assets</b>	<b>(169,515)</b>	<b>(93,928)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**23. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

Return on plan assets was as follows:

	2022	2021
	£000	£000
Interest return on asset	9,063	7,855
Asset loss gain during period	(178,578)	(101,783)
<b>Actual return on asset</b>	<b>169,515</b>	<b>93,928</b>

Reconciliation of fair value of plan liabilities was as follows:

	2022	2021
	£000	£000
Opening defined benefit obligation	482,540	529,313
Interest expense	8,773	6,724
Actuarial loss on liabilities	(178,025)	(29,360)
Net benefits paid out	(16,624)	(24,137)
<b>Closing defined benefit obligation</b>	<b>296,664</b>	<b>482,540</b>

Reconciliation of fair value of plan assets was as follows:

	2022	2021
	£000	£000
Opening fair value of scheme assets	498,202	616,267
Actuarial loss	(178,578)	(101,783)
Interest income	9,063	7,855
Contributions by employer	-	-
Net benefits paid out	(16,624)	(24,137)
<b>Closing fair value of plan assets</b>	<b>312,063</b>	<b>498,202</b>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2022	2021
	%	%
Discount rate at 31 December	4.80	1.85
Future pension increases	3.15	2.85
CPI - Increases to deferred benefits during deferment	2.95	3.00
RPI - Increases to deferred benefits during deferment	3.35	3.40

Mortality table

2021	-	S2PXA improvements in line with the CMI 2019 projections and a long-term rate of improvement of 1.75% pa.
2022	-	SAPS S3 pensioner multiplied by 0.95 for males and 1.1 for females projected to 2021 with CMI 1.50%

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**23. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

	2022 £000	2021 £000
<b>Amount recognised in other comprehensive income (OCI)</b>		
Asset losses arising during the year	(178,578)	(101,783)
Liability gains arising during the year	178,025	29,360
	<u>(553)</u>	<u>(72,423)</u>

**24. COMMITMENTS UNDER OPERATING LEASES**

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

	2022 £000	2021 £000
Not later than one year	20	14
	<u>20</u>	<u>14</u>

**25. LONG-TERM SUPPLY CONTRACTS**

The company has entered into long-term contracts with various suppliers for the supply of steam and other services. The expiry dates of the contracts along with the minimum payments due as of 31 December 2022 are shown as follows:

	Other services £000
Contract expiry date	2027
Minimum payments due as follows:	
2023	5,886
2024	2,874
2025	1,543
2026	1,613
2027	1,685

**26. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

At 31 December 2022, the company has bank guarantees totalling £1,250,000 and EUR 413,112 (2021: £1,250,000 and EUR 413,112) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HMRC for £450,000 (2021: £450,000), National Resource Wales for £800,000 (2021: £800,000), Dutch tax authority for EUR 348,000 (2021: EUR 348,000) and a guarantee to send our waste to Germany for EUR 65,112 (2021: EUR 65,112).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

**27. RELATED PARTY TRANSACTIONS**

The company has taken exemption under Section 33 of Related Party Disclosures paragraph 33.7 hence no disclosure has been made.

**28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

In the opinion of the directors at the balance sheet date the immediate parent company is Dow Europe Holding B.V., a company incorporated in the Netherlands, having registered address at Herbert H. Dowweg 5, 4542NM Hoek, Netherlands and the ultimate parent company, controlling entity, and parent of the smallest and the largest group for which consolidated accounts are prepared for which the Company is a part, was The Dow Inc. which is incorporated in the United States of America.

At the date of approval of these financial statements, the ultimate parent company and controlling entity is Dow Inc. which is incorporated in the United States of America and whose registered address is:

Dow Inc.  
2211 H.H Dow Way,  
Midland,  
MI 48674,  
USA.

Copies of the group financial statements of The Dow Inc. can be obtained from the above address.