EVONIK DEGUSSA UK HOLDINGS LIMITED

Annual Report and Financial Statements

for the year ended

31 December 2011

Registered number: 02695034

Evonik Degussa UK Holdings Limited

Annual report and financial statements for the year ended 31 December 2011

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Evonik Degussa UK Holdings Limited

Directors' report for the year ended 31 December 2011

The Directors present their annual report and the audited financial statements of Evonik Degussa UK Holdings Limited (Company number 02695034) for the year ended 31 December 2011

Business review and principal activities

Evonik Degussa 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 provides legal, company secretarial, accounting and pension 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 shared services detailed above

During 2011, as part of a project to reduce the complexity of the Evonik UK Group, the Company carried out a capital reduction by means of solvency statement The capital reductions had the effect of reducing the non-distributable reserves i e share capital, share premium, capital redemption and the merger reserve, and correspondingly increasing the balance of the distributable reserves

The results for the Company show a pre-tax profit of £177,689,124 for the year (2010 pre-tax profit of £380,778,672) Net assets at the end of the year were £714,174,569 (2010 £537,123,240)

Future outlook

The Directors have implemented a restructuring project that will review all UK legal entities with a view to liquidate those companies that are no longer required

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

Key performance indicators ("KPI's")

Given the fact that the Company acts predominately as a service provider to other group undertakings, the Directors do not use KPI's 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 potential fluctuations in the interest rate as described in the financial risk management note below

Provisions

Provisions for warranties and liabilities are reviewed on a quarterly basis by the Directors using information provided by third party advisors Provisions of £13,555,550 (2010 £20,777,670) relate to inter alia, third party claims, warranties and indemnities and environmental provisions, details of which are described in note 12 of the financial statements

Dividends

An interim dividend of £nil was paid to members in respect of the year (2010 £229,830,419)

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

B Lammert	Chairman
B G Harvey	Joint Managing Director
N Macleod	Joint Managing Director (resigned 29 February 2012)
U Papst	Director
M Fox	Company Secretary (resigned 6 February 2012)
G Stapleton	Company Secretary (appointed 6 February 2012)

Evonik Degussa UK Holdings Limited

Directors' report for the year ended 31 December 2011 (continued)

Charitable and political contributions
The Company made £1,401 (2010 £2,727) of charitable contributions during the year There were no political contributions during the year (2010 £nil)

Research and development
There were no research and development costs during the year (2010 £nil)

Financial risk management
Due to the nature of the Company, it has exposure to a limited number of financial risks

Cash management
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 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

Interest rate and 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

The Directors have not disclosed the Company's financial management objectives and policies nor the Company's exposure to price risk, credit risk and liquidity risk as such information is not material for the assessment of the Company's assets, liabilities, financial position and profit for the year

Post-balance sheet events
There were no post-balance sheet events (2010 none)

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 (2010 none)

Directors' responsibilities statement
The Directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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,
- 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

Evonik Degussa UK Holdings Limited

Directors' report for the year ended 31 December 2011 (continued)

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

B G Harvey
Managing Director

28 March 2012

Independent auditors' report to the members of Evonik Degussa UK Holdings Limited

We have audited the financial statements of Evonik Degussa UK Holdings Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 and 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) 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

Scope of the audit of the financial statements

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 In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

Mike Robinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
28 March 2012

Evonik Degussa UK Holdings Limited

Registered company number: 02695034

Profit and loss account
for the year ended 31 December 2011

	Note	2011 £	2010 £
Continuing operations			
Administrative expenses		938,504	(6,530,030)
Other operating income		1,234,289	2,133,075
Operating profit/(loss)	2	2,172,793	(4,396,955)
Income from shares in group undertakings	5	874,170,765	431,819,894
Interest receivable and similar income	6	3,246,421	216,143
Amounts written off investments	8	(696,103,966)	(35,661,082)
Interest payable and similar charges	6	(5,796,889)	(11,199,328)
Profit on ordinary activities before taxation		177,689,124	380,778,672
Tax on profit on ordinary activities	7	2,583,638	(7,525,541)
Profit for the financial year	16	180,272,762	373,253,131

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

Evonik Degussa UK Holdings Limited

Statement of total recognised gains and losses
for the year ended 31 December 2011

	Note	2011 £	2010 £
Profit for the financial year		**180,272,762**	373,253,131
Actuarial loss relating to pension liability	21	**(4,465,000)**	(29,143,000)
Current tax relating to pension scheme		**1,115,120**	8,400,840
Deferred tax relating to pension scheme	14	**128,447**	(891,178)
Total recognised profit relating to the financial year		**177,051,329**	351,619,793

Evonik Degussa UK Holdings Limited

Balance sheet
as at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	9		508,387		49,470
Investments	8		685,271,956		1,039,958,207
			685,780,343		1,040,007,677
Current assets					
Debtors	10	43,737,120		6,338,660	
Cash in hand and at bank		-		240	
		43,737,120		6,338,900	
Creditors:					
amounts falling due within one year	11	(4,053,888)		(490,637,169)	
Net current assets/(liabilities)			39,683,232		(484,298,269)
Total assets less current liabilities			725,463,575		555,709,408
Provisions for liabilities	12		(13,555,550)		(20,777,670)
Net assets excluding pensions			711,908,025		534,931,738
Pension asset	21		4,070,294		3,784,362
Pension liability	21		(1,803,750)		(1,592,860)
Net assets including pensions			714,174,569		537,123,240
Capital and reserves					
Called up share capital	15		1,000		98,423,482
Share premium account	16		-		195,007,000
Capital redemption reserve	16		-		64,182,883
Other reserves	16		-		124,799,633
Profit and loss account	16		714,173,569		54,710,242
Total shareholders' funds	17		714,174,569		537,123,240

The financial statements on pages 6 to 26 were approved by the Board of Directors on 28 March 2012 and were signed on its behalf by

B Harvey
Managing Director

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011

1. Principal accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of accounting
The financial statements are prepared on the going concern basis and under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies are set out below

The Company is a wholly-owned subsidiary of its immediate parent company, Degussa SKW Co , and is included in the consolidated financial statements of its ultimate parent Evonik Industries AG, which are publicly available from Rellinghauser Strasse 1-11, 45128 Essen, Germany Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) "Cash flow statements" and of the exemption from preparing consolidated financial statements under the terms of S400 of the Companies Act 2006 The Company is also exempt under paragraph 3(c) from the provisions of FRS 8, "Related Party Disclosures", on the grounds that it is a wholly owned subsidiary of a group headed by Evonik Industries AG

Fixed assets investments
All shares in group undertakings are stated at cost less any impairment for diminution in value, as adjusted by Directors' valuations, based on underlying net asset values Impairment reviews are performed by the Directors when there has been an indication of potential impairment
Gilts are accounted for at historical acquisition cost less any impairment for diminution in value

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
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

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Pensions
The Company is the principal and sole participating employer of all five UK pension schemes Pension arrangements for staff are operated through a defined benefit scheme which is accounted for in accordance with FRS 17 'Retirement Benefits' and a stakeholder scheme which is defined contribution Pension costs are charged to the profit and loss account in the year they occur as detailed in note 21

Retirement benefits payable to employees of the Company are provided by a number of pension schemes which are defined benefit schemes funded by contributions made by the Company and employees The company contributions are made in accordance with periodic calculations by professionally qualified actuaries

The operating cost of providing pensions and other post retirement benefits, as calculated periodically by independent actuaries, is charged to the Company's operating profit in the period that those benefits are earned by employees
The financial return expected on the schemes' assets is recognised in the period in which they arise as part of finance income and the effect of the unwinding of the discounted value of the schemes' liabilities is treated as finance costs

1. Principal accounting policies (continued)

Pensions (continued)
The changes in value of the schemes' assets and liabilities are reported as actuarial gains or losses as they arise in the statement of total recognised gains and losses
The pension schemes' surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented in the balance sheet net of any related deferred tax

Taxation
The charge for taxation is based on the profit for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes
Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax"
A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Financial assets and liabilities
Financial assets and liabilities are initially recognised at cost and only derecognised once payment has been received/made in respect of the instruments

Provisions
Provisions are recognised when the Company has a present 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
Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company Dividend distributions are charged to the Company's profit and loss account

2. Operating profit/(loss)

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

	2011	2010
	£	£
Services provided by the Company's auditors		
Fees payable for the audit	**93,862**	92,300
Fees payable for other services - tax	**288,654**	210,694
Fees payable for other services - consultancy	**2,308,198**	488,035
Depreciation of tangible fixed assets - owned assets	**71,886**	48,977
Exchange losses	**10,537**	4,107
Exchange gains	**(6,305)**	-
Release of provisions for liabilities (note 12)	**(14,723,192)**	-
Additional provisions for liabilities (note 12)	**2,735,807**	-

In both 2010 and 2011, Evonik Degussa UK Holdings Limited has borne the audit fees for all of the UK group companies In addition, the Company's auditors are also providing a consultancy service in respect of the UK restructuring project

Operating profit includes £1,234,289 (2010 £2,133,075) of other operating income which consists of recharge income received from other group undertakings for whom Evonik Degussa UK Holdings Limited has borne the original costs

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3. Staff numbers and costs

Average monthly number of employees (including directors)	**2011 Number**	2010 Number
Sales and administration	**16**	17

The aggregate payroll costs of these persons was as follows:	**2011 £**	2010 £
Wages and salaries (including directors' remuneration)	**924,243**	883,868
Social security costs	**121,199**	92,124
Other pension costs (see note 21)	**3,061,580**	101,166
	4,107,022	1,077,158

4. Remuneration of directors

	2011 £	2010 £
Directors' emoluments (including pension contributions)	**258,763**	208,303

The highest paid Director's emoluments were £152,759 (2010 £178,553) Two Directors (2010 two) are accruing benefits under a defined benefit pension scheme Included in emoluments were company contributions of £44,469 (2010 £28,622) in respect of defined benefit pension schemes Of these £24,861 (2010 £24,123) related to the highest paid Director

5. Dividends received

The Company received 2011 interim dividend payments of £685,983,158 from its subsidiary Evonik Amalgamation Limited (2010 £431,819,894), £30,603,309 from its subsidiary Inspec Fine Chemicals Limited (2010 £nil) and £157,584,298 from its subsidiary Inspec Finance Limited (2010 £nil)

6. Interest and other income and charges

	2011 £	2010 £
Interest receivable and similar income		
Interest from group undertakings	**172,359**	-
Other interest receivable	**3,074,062**	216,143
	3,246,421	216,143
Interest payable and similar charges		
Interest to group undertakings	**(5,795,944)**	(11,199,322)
Other interest payable	**(945)**	(6)
	(5,796,889)	(11,199,328)

Other interest receivable of £347,062 (2010 £169,143) relates to the interest earned on Gilts

Notes to the financial statements for the year ended 31 December 2011 (continued)

7. Tax on profit on ordinary activities

	2011	2010
	£	£
Current tax		
UK Corporation Tax on profit for the year	(3,373,337)	4,406,288
Adjustments in respect of prior periods	716,294	580,875
Total current tax	(2,657,043)	4,987,163
Deferred tax		
Origination and reversal of timing differences	73,405	2,436,841
Adjustments in respect of prior periods	-	97,911
Effect of change in rate	-	3,626
Total deferred tax	73,405	2,538,378
Tax on profit on ordinary activities	(2,583,638)	7,525,541

The tax assessed for the year is lower (2010 lower) than the standard rate of Corporation Tax in the UK of 26 5% (2010 28%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	177,689,124	380,778,672
Profit on ordinary activities multiplied by standard rate in the UK 26 5% (2010 28%)	47,087,618	106,618,028
Effects of		
Income not subject to taxation	(235,560,954)	(120,915,073)
Expenses not deductible for tax purposes	184,566,438	10,005,385
Other timing differences	(2,057,787)	4,853,654
Losses not utilised	2,591,348	3,844,294
Adjustments in respect of prior periods	716,294	580,875
Current tax (credit)/charge for the year	(2,657,043)	4,987,163

The Company has surrendered the benefit of tax losses to another group company for a consideration of £4,488,457 (2010 £3,994,552)

Factors affecting current and future tax charges:

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26 5%

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and will be effective from 1 April 2011, and to 25%, which was substantively enacted on 5 July 2011 and will be effective from 1 April 2012

Further reductions to the UK Corporation Tax rate were announced in the March 2012 Budget The changes, which are expected to be enacted separately each year, propose to further reduce the rate to 24% effective from 1 April 2012 and then reduce the rate by 1% per annum to 22% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

8. Investments

	Gilts	Shares in group undertakings	Total
	£	£	£
At cost			
At 1 January 2011	9,642,204	1,065,977,085	1,075,619,289
Additions	195,223	341,222,492	341,417,715
At 31 December 2011	**9,837,427**	**1,407,199,577**	**1,417,037,004**
Impairments			
At 1 January 2011	-	(35,661,082)	(35,661,082)
Impairments charged in the year	-	(696,103,966)	(696,103,966)
At 31 December 2011	**-**	**(731,765,048)**	**(731,765,048)**
Net book amount			
At 31 December 2011	**9,837,427**	**675,434,529**	**685,271,956**
At 31 December 2010	9,642,204	1,030,316,003	1,039,958,207

In 2011 Evonik Degussa UK Holdings Limited made an additional capital contribution of £341,222,492 to Evonik Speciality Organics Limited, a direct subsidiary

Following an impairment review performed by local management at 31 December 2010 the total investment in Evonik Speciality Organics Limited was written down by £35,661,082

Following an impairment review performed by local management during 2011, the total investment in Evonik Speciality Organics Limited was written down by £21,000,000, in Inspec Fine Chemicals Limited by £30,135,463, in Inspec Finance Limited by £154,968,503 and in Evonik Amalgamation Limited by £490,000,000

The Directors perform an impairment review annually for all investments in its subsidiaries and, in the opinion of the Directors, the value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet

The index-linked gilts are listed on the London Stock Exchange and act as security against an unapproved unfunded pension obligation and in respect of a Contingent Funding Agreement as detailed in note 18 The open market value of the Gilts based on the Stock Exchange value as at 31 December 2011 was £13,058,947 (2010 £11,123,002)

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8. Investments (continued)

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

Name of company	*Country of registration, incorporation and operation*	*Holding %*	*Class of shares held*	*Nature of business*	*Direct / Indirect*
Subsidiary undertakings					
Evonik Amalgamation Limited	England	100	Ordinary	Holding company	Direct
Inspec Finance Limited (in dissolution)	England	100	Ordinary	Dormant	Direct
Evonik Speciality Organics Limited	England	100	Ordinary	Non-trading company	Direct
Inspec Fine Chemicals Limited	England	100	Ordinary	Non-trading company	Direct
EGL Limited	England	100	Ordinary	Holding company	Indirect
Inspec Invesco (in dissolution)	England	100	Ordinary	Dormant	Indirect
Laporte Chemicals Limited	England	100	Ordinary	Holding company	Indirect
Laporte Materials (Barrow) Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
Laporte Properties Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
The St Bernard Insurance Company Limited	Isle of Man	100	Ordinary	Insurance	Indirect
Peter Spence & Sons Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
Laporte do Brasil Participacoes e Representacoes Limited	Brazil	100	Quotas	Dormant	Indirect
R & J Garroway Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
Evonik Membrane Extraction Technology Limited	England	100	Ordinary	Membrane systems for chemical production	Indirect
Laporte Industries Limited	England	100	Ordinary	Holding company	Indirect
Sarclear Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
Laporte Invesco (in dissolution)	England	100	Ordinary	Dormant	Indirect
Laporte Organisation Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect
Asian Bleaching Earth Company Limited (in liquidation)	Thailand	100	Ordinary	Dormant	Indirect
Evonik Degussa UK Services Limited (in liquidation)	England	100	Ordinary	Dormant	Indirect

8. Investments (continued)

Name of company	*Country of registration, incorporation and operation*	*Holding %*	*Class of shares held*	*Nature of business*	*Direct / Indirect*
Joint Venture					
Evonik Headwaters LLP	England	50	Ordinary	Development of new chemical process for Hydrogen Peroxide	Indirect
Trustees held by the Company					
Evonik Pension Scheme Trustee Limited	England	100	Ordinary	Pension scheme trustee	Direct
Laporte Group Pension Trustees Limited (in dissolution)	England	100	Ordinary	Pension scheme trustee	Direct

The subsidiary undertakings and participating interests of the Company at 31 December 2011 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated

9. Tangible assets

	Freehold land and buildings	**Office**	**Total**
	£	**£**	**£**
At cost			
At 1 January 2011	-	240,968	240,968
Additions	-	5,261	5,261
Transfers in	525,542	-	525,542
At 31 December 2011	**525,542**	**246,229**	**771,771**
Accumulated depreciation			
At 1 January 2011	-	(191,498)	(191,498)
Charge for the year	(38,219)	(33,667)	(71,886)
At 31 December 2011	**(38,219)**	**(225,165)**	**(263,384)**
Net book amount			
At 31 December 2011	**487,323**	**21,064**	**508,387**
At 31 December 2010	-	49,470	49,470

Tangible fixed assets are subject to impairment reviews in accordance with UK Generally Accepted Accounting Practice Any impairments are charged to the profit and loss account

During 2011 land and buildings with a net book value of £525,542 were transferred into Evonik Degussa UK Holdings from other UK group subsidiaries

The gross book value of land and buildings includes £525,523 (2010 £nil) of depreciable assets There are no material differences between the book value and the market value

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10. Debtors

	2011	2010
	£	£
Amounts falling due within one year		
Amounts owed by other group undertakings	43,190,562	5,723,994
Trade debtors	211,995	-
Other debtors	192,084	471,690
Prepayments	142,479	142,976
	43,737,120	6,338,660

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 At 31 December 2011, the interest rate was 1 06% (2010 liability 2 43%) There are no fixed repayment terms, but the loan could be recalled at any time

11. Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank loans and overdrafts	1,513	-
Amounts owed to group undertakings	68,672	488,786,789
Trade creditors	315,423	-
Other creditors	-	756,144
Taxation and social security	2,041,216	402,318
Accruals and deferred income	1,627,064	691,918
	4,053,888	490,637,169

The amounts owed by other group undertakings are non-interest bearing and repayable within twelve months

12. Provisions for liabilities

	Post-transaction liabilities	Other	Total
	£	£	£
At 1 January 2011	20,277,704	499,966	20,777,670
Addition	1,286,591	1,449,216	2,735,807
Release	(14,293,259)	(429,933)	(14,723,192)
Transferred	4,871,483	528,600	5,400,083
Utilised in the year	(174,531)	(460,287)	(634,818)
At 31 December 2011	11,967,988	1,587,562	13,555,550

Provisions totalling £11,967,988 (2010 £20,277,704) 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 £5,118,588 (2010 £5,676,000) 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

12. Provisions for liabilities (continued)

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 £1,587,562 (2010 £499,966) These provisions relate to liabilities such as uninsured elements of product liability claims, restructuring costs and employer liability costs of £55,346 (2010 £70,649) With the exception of the employer 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 For the employer liability costs the Directors have considered the impact of the time value of money over the remaining life of the liability and an appropriate discount rate has been used

13. Pension asset

	2011	2010
	£	£
Amounts falling due after more than one year		
Pension liability (note 21)	2,405,000	2,182,000
Pension asset (note 21)	(5,427,102)	(5,184,102)
Deferred tax liability relating to pensions	755,558	810,600
	(2,266,544)	(2,191,502)

14. Deferred tax liability

	2011	2010
	£	£
Deferred tax liability relating to pensions (note 21)	755,558	810,600
Total deferred tax liability	755,558	810,600

	2011	2010
	£	£
At 1 January	(810,600)	2,618,956
Deferred tax debited to the profit and loss account (note 7)	(73,405)	(2,538,378)
Deferred tax credited/(debited) to the statement of total recognised gains and losses	128,447	(891,178)
At 31 December	(755,558)	(810,600)

Balances disclosed in

	2011	2010
	£	£
Provisions offset against pension asset	755,558	810,600

The Company has losses carried forward of £48,258,848 (2010 £34,872,173) and short term timing differences of £3,834,289 (2010 £540,714) No deferred tax assets have been recognised as their future use is currently uncertain

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

15. Called up share capital

	2011 £	2010 £
Allotted and fully paid		
1,000 ordinary shares of £1 each (2010 196,846,964 ordinary shares of 50p each)	1,000	98,423,482

16. Reserves

	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 January 2011	195,007,000	64,182,883	124,799,633	54,710,242
Share capital reduction	-	-	-	98,422,482
Capital reduction	(195,007,000)	(64,182,883)	(124,799,633)	383,989,516
Profit for the financial year	-	-	-	180,272,762
Other recognised gains and losses relative to the financial year	-	-	-	(3,221,433)
At 31 December 2011	-	-	-	714,173,569

During 1993, 20,637,252 ordinary shares of 50p each were issued in connection with the acquisition of Evode Group plc, 13,370,824 ordinary shares being issued as consideration for 65,110,130 Evode ordinary shares of 20p each and 7,266,428 ordinary shares being issued for 40,692,040 Evode convertible cumulative redeemable preference shares of 10p each The remaining Evode ordinary and convertible cumulative redeemable preference shares were purchased for £8 4m In accordance with the merger relief provisions of sections 612 and 615 of the Companies Act 2006, the premium on the shares issued of £124 8m was credited to other reserves

The capital redemption reserve relates to the redemption of redeemable B shares of 1p each, which were issued and redeemed (at nominal value) by the Company between 23 August 1999 and 31 December 2000

In 2011, as part of the capital reduction process, these reserves have been reduced to nil and transferred to distributable reserves

17. Reconciliation of movements in shareholders' funds

	Note	2011 £	2010 £
Profit for the financial year		**180,272,762**	373,253,131
Dividend paid		-	(229,830,419)
Actuarial loss relating to pension liability	21	**(4,465,000)**	(29,143,000)
Current tax relating to pension scheme and credited to the statement of total recognised gains and losses		**1,115,120**	8,400,840
Deferred tax relating to pension scheme and credited/(charged) to the statement of total recognised gains and losses	14	**128,447**	(891,178)
Net increase to shareholders' funds		**177,051,329**	121,789,374
Opening shareholders' funds		**537,123,240**	415,333,866
Closing shareholders' funds		**714,174,569**	537,123,240

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

18. Contingent liabilities

On 21 June 2007, the Company entered into a Contingent Funding Agreement with the Trustees of the Laporte Group Pension Trust scheme, supported by a Charge over Securities arrangement This agreement was entered into in order to provide security to the Trustees of the scheme, as an alternative to making further deficit payments which would not be refundable to the Company under any circumstances The open market value of the securities purchased in line with the Contingent Funding Agreement and based on the Stock Exchange value as at 31 December 2011 was £11,351,997 (2010 £9,553,902)

19. Related parties

There are no related party transactions to report

20. Ultimate holding company and controlling party

The Company's immediate holding company is Degussa SKW Co, a company registered and incorporated in England and Wales

The ultimate parent company of Evonik Degussa UK Holdings Limited 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

21. Pension fund

The valuation of the pension schemes has been updated by the actuary on an FRS 17 "Retirement Benefits" basis at 31 December 2011

The Evonik Pension Scheme is in surplus and is disclosed separately within this note and as a pension asset on the balance sheet The Laporte Group Pension Trust, Synthetic Chemicals Limited Pension Scheme, Degussa-Hüls Employees' Pension Scheme and the Roehm Limited Retirement and Death Benefits Scheme are all in deficit or have a neutral balance and have been amalgamated within this note and disclosed as a pension liability on the balance sheet

Evonik Pension Scheme

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 major assumptions used in the valuation at 31 December 2011 were

	2011	2010
Assumptions and dates used at disclosure		
Discount rate	**4.90%**	5 30%
Retail price inflation	**3.00%**	3 20%
Consumer price inflation	**2.00%**	2 50%
Rate of salary increase	**4.00%**	4 20%
Pension increases for in-payment benefits	**2.00%**	3 20%
Pension increases for deferred benefits	**2.00%**	2 50%
Plan Participant Census date	**30-Sep-11**	31-Oct-10

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 to borne out in practice

21. Pension fund (continued)

The mortality assumptions were as follows:

	2011 Years	2010 Years
Longevity at age 65 for current pensioners		
- Men	19.7	19 6
- Women	23.5	23 4
Longevity at age 65 for future pensioners		
- Men	21.1	21 0
- Women	25.0	24 9

The assets in the scheme and the expected rates of return were

	2011	2010
Total assets		
Long-term rate of return on assets	4.10%	5 20%

This is based on actual asset allocation at the year end and the following asset return assumptions

	2011	2010
Equities	7.50%	8 10%
Bonds - UK Government	2.90%	4 50%
Property	N/A	6 30%
Cash	2.60%	3 80%

Net Balance Sheet position

	2011 £	2010 £
Actuarial value of plan liabilities	(19,516,000)	(18,639,000)
Fair value of assets	28,542,102	25,493,102
Amount not recognised as an asset due to the asset ceiling restriction	(3,599,000)	(1,670,000)
Surplus in the plan	5,427,102	5,184,102
Deferred tax relating to pension surplus	(1,356,808)	(1,399,740)
Net pension asset recognised in balance sheet	4,070,294	3,784,362

Reconciliation of opening and closing scheme assets and scheme liabilities

	2011 £	2010 £
Change in plan liabilities		
Opening plan liabilities	18,639,000	10,857,000
Current service cost	602,000	740,000
Interest cost	977,000	843,000
Contributions from scheme participants	234,000	199,000
Actuarial (gain)/loss	(452,000)	(1,547,000)
Benefits paid from plan assets	(282,000)	(253,000)
Settlements	(202,000)	-
Acquisitions/divestitures	-	7,665,000
Past service cost	-	135,000
Plan liabilities at the year end	19,516,000	18,639,000

21. Pension fund (continued)

	2011 £	2010 £
Change in plan assets		
Opening fair value of assets	**25,493,102**	12,751,102
Expected return on assets	**1,389,000**	1,139,000
Actuarial gains on assets	**687,000**	1,118,000
Employer contributions	**1,331,000**	5,299,000
Employee contributions	**234,000**	199,000
Benefits paid	**(282,000)**	(253,000)
Settlements	**(310,000)**	-
Acquisitions/divestitures	**-**	5,240,000
Fair value of assets at the year end	**28,542,102**	25,493,102

The actual return on scheme assets in the period was a gain of £2,076,000 (2010 £2,257,000)

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

Plan asset information

	2011	2010
Allocation percentage		
Equity securities	**30.40%**	22 39%
Corporate bonds	**0.00%**	17 96%
Government bonds	**40.80%**	41 18%
Other	**0.00%**	1 65%
Pensioner annuities	**28.80%**	16 82%
	100.00%	100 00%
Fair value of plan assets	**28,542,102**	25,493,102

Movement in surplus during the period

	2011 £	2010 £
Opening net pension asset	**5,184,102**	1,894,102
Disclosed as pension expense for the year	**(190,000)**	(444,000)
Employer contributions	**1,331,000**	5,299,000
(Loss)/Gain recognised via the STRGL	**(898,000)**	860,000
Loss on acquisitions during the year	**-**	(2,425,000)
Net pension asset at the year end	**5,427,102**	5,184,102

Analysis of other pension costs charged in arriving at operating costs

	2011 £	2010 £
Current service cost	**602,000**	740,000
Past service cost	**-**	135,000
Cost of settlements	**108,000**	-
Adjustment to settlements cost for limit in asset ceiling	**(108,000)**	-
Adjustment to past service cost for limit in asset ceiling	**-**	(135,000)
	602,000	740,000

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

21. Pension fund (continued)

Analysis of amounts included in other finance income/(expense)

	2011 £	2010 £
Expected return on pension scheme assets	**1,389,000**	1,139,000
Interest on pension scheme liabilities	**(977,000)**	(843,000)
	412,000	296,000

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

	2011 £	2010 £
Actuarial gain on assets	**(687,000)**	(1,118,000)
Experience gain on liabilities	**(433,000)**	(1,020,000)
Gain on change in assumptions	**(19,000)**	(527,000)
Effect of the limit of asset ceiling restriction	**2,037,000**	1,805,000
Total gain recognised via STRGL during the period	**898,000**	(860,000)

The cumulative amount of actuarial gains recognised in the statement of recognised gains and losses is £3,087,000

History of assets, liabilities and experience gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount £	**(687,000)**	(1,118,000)	(1,387,000)	763,000	(10,000)
Percentage of plan assets	**-2.4%**	-4 4%	-10 9%	9 3%	-0 2%
Experience loss/(gain) on scheme liabilities					
Amount £	**(433,000)**	(1,020,000)	(1,246,000)	916,000	16,000
Percentage of plan assets	**-2.2%**	-5 5%	-11 5%	10 3%	0 3%
Actuarial loss/(gain) recognised in the STRGL					
Amount £	**898,000**	(860,000)	(1,139,000)	671,000	(1,020,000)
Percentage of plan assets	**3.1%**	-4 6%	-10 5%	7 5%	-15 8%
Surplus/(deficit)					
Actuarial value of plan liabilities	**(19,516,000)**	(18,639,000)	(10,857,000)	(8,916,000)	(6,462,000)
Fair value of assets	**28,542,102**	25,493,000	12,751,000	8,182,000	6,406,000
Surplus/(deficit) in the plan	**9,026,102**	6,854,000	1,894,000	(734,000)	(56,000)

Expected future benefit payments for year ending 31 December 2012

	£
Expected contributions	
Employer	**1,185,000**
Plan participants	**224,000**
	1,409,000

Notes to the financial statements for the year ended 31 December 2011 (continued)

21. Pension fund (continued)

Laporte Group Pension Trust
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 schemes are closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009

Synthetic Chemicals Ltd Pension Scheme and Degussa-Hüls Employees' Pension Scheme
The Synthetic Chemicals Ltd Pension Scheme provides 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 closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009

Roehm Limited Retirement and Death Benefits Scheme
The Roehm Limited Retirement and Death Benefits Scheme is a funded defined benefit pension scheme Scheme members' benefits were secured under a buy-in policy with Aegon on 23 December 2009 In accordance with FRS17 "Retirement Benefits", the value of this policy has been taken as equal to the value of the liabilities based on the actuarial assumptions set out below

The scheme is closed to new members and all active members were transferred to the Evonik Pension Scheme on 1 April 2009

The major combined assumptions used in these valuations were

	2011	2010
Assumptions and dates used at disclosure		
Discount rate	**4.90%**	5 30%
Retail price inflation	**3.00%**	3 20%
Consumer price inflation	**2.00%**	2 50%
Rate of salary increase	**N/A**	N/A
Pension increases for in-payment benefits	**3.00%-4.10%**	3 20%-4 20%
Pension increases for deferred benefits	**2.00%**	2 50%
Plan Participant Census date	**30-Sep-11**	31-Oct-10

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 to borne out in practice

The mortality assumptions were as follows:

	2011 Years	2010 Years
Longevity at age 65 for current pensioners'		
- Men	**19.7**	19 6
- Women	**23.5**	23 4
Longevity at age 65 for future pensioners		
- Men	**21.1**	21 0
- Women	**25.0**	24 9

21 Pension fund (continued)

The assets in the scheme and the expected rates of return were

	2011	2010
Total assets		
Long-term rate of return on assets	**4.10%**	4 40%-5 40%

This is based on actual asset allocation at the year end and the following asset return assumptions

	2011	2010
Equities	**7.50%**	8 10%
Bonds - UK Government	**2.90%**	3 70%-4 50%
Bonds - Other	**N/A**	5 30%
Property	**N/A**	6 30%
Cash	**2.60%**	3 80%

Net Balance Sheet position

	2011 £	2010 £
Actuarial value of plan liabilities	**(360,891,000)**	(366,623,000)
Fair value of assets	**432,996,000**	421,624,000
Amount not recognised as an asset due to the asset ceiling restriction	**(74,510,000)**	(57,183,000)
Deficit in the plan	**(2,405,000)**	(2,182,000)
Deferred tax relating to pension deficit	**601,250**	589,140
Net pension liability recognised in balance sheet	**(1,803,750)**	(1,592,860)

Reconciliation of opening and closing scheme assets and scheme liabilities

	2011 £	2010 £
Change in plan liabilities		
Opening plan liabilities	**366,623,000**	367,970,000
Interest cost	**18,563,000**	20,293,000
Actuarial loss	**8,189,000**	10,157,000
Benefits paid from plan assets	**(21,571,000)**	(22,837,000)
Settelements	**(10,913,000)**	(1,510,000)
Acquisitions	**-**	(7,665,000)
Past service cost	**-**	215,000
Plan liabilities at the year end	**360,891,000**	366,623,000
Change in plan assets		
Opening fair value of assets	**421,624,000**	379,865,000
Expected return on assets	**20,878,000**	20,560,000
Actuarial gains on assets	**23,697,000**	14,256,000
Employer contributions	**3,310,000**	35,864,000
Benefits paid	**(21,425,000)**	(22,211,000)
Acquisitions	**-**	(5,240,000)
Settlements	**(15,088,000)**	(1,470,000)
Fair value of assets at the year end	**432,996,000**	421,624,000

Evonik Degussa UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

21. Pension fund (continued)

The actual return on scheme assets in the period was a gain of £44,575,000 (2010 £34,728,000)

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

Plan asset information

	2011	2010
Allocation percentage		
Equity securities	**5.13%**	12 76%
Debt securities	**84.46%**	78 27%
Real estate/property	**0.00%**	0 22%
Cash	**0.00%**	8.73%
Other	**10.41%**	0 02%
	100.00%	100 00%
Fair value of plan assets	432,996,000	421,624,000

Movement in deficit during the period

	2011 £	2010 £
Opening net pension liability	**(2,182,000)**	(10,885,000)
Disclosed as pension expense for the year	**(112,000)**	(209,000)
Employer contributions	**3,310,000**	35,864,000
Benefits paid direct by the employer	**146,000**	626,000
Loss recognised via the STRGL	**(3,567,000)**	(30,003,000)
Gain on acquisitions during the year	**-**	2,425,000
Net pension liability at the end of the year	**(2,405,000)**	(2,182,000)

Analysis of other pension costs charged in arriving at operating costs

	2011 £	2010 £
Cost of settlements	**4,175,000**	(40,000)
Past service cost	**-**	215,000
Adjustment to settlements cost for limit in asset ceiling	**(1,748,000)**	-
Adjustment to past service cost for limit in asset ceiling	**-**	(215,000)
	2,427,000	(40,000)

Analysis of amounts included in other finance income/(expense)

	2011 £	2010 £
Expected return on pension scheme assets	**20,878,000**	20,488,000
Interest on pension scheme liabilities	**(18,563,000)**	(20,221,000)
Adjustment to return on assets for limit in asset ceiling	**-**	(516,000)
	2,315,000	(249,000)

21. Pension fund (continued)

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

	2011	2010
	£	£
Actuarial gain on assets	(23,697,000)	(14,256,000)
Experience (gain)/loss on liabilities	(2,214,000)	4,390,000
Loss on change in assumptions	10,403,000	5,767,000
Effect of the asset ceiling restriction	19,075,000	34,102,000
	3,567,000	30,003,000

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £63,347,000 (2010 £130,489,000)

History of assets, liabilities and experience gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount £	(23,697,000)	(14,256,000)	(6,240,000)	40,207,000	(1,614,000)
Percentage of plan assets	-5.5%	-3 4%	-1 6%	10 9%	-0 4%
Experience loss/(gain) on scheme liabilities					
Amount £	(2,214,000)	4,390,000	12,005,000	1,338,000	8,119,000
Percentage of plan assets	-0.6%	1 2%	3 3%	0 4%	2 3%
Liability assumptions					
Amount £	10,403,000	7,678,000	20,495,000	(17,524,000)	(7,946,000)
Percentage of plan assets	2.9%	2 1%	5 6%	-5 4%	-2 2%
Actuarial loss/(gain) recognised in the STRGL					
Amount £	3,567,000	14,595,000	11,939,000	2,035,000	(11,683,000)
Percentage of plan assets	1.0%	4 0%	3 2%	0 6%	-3 3%
Deficit					
Actuarial value of plan liabilities	(360,891,000)	(366,623,000)	(367,970,000)	(325,268,000)	(355,852,000)
Fair value of assets	432,996,000	421,624,000	379,866,000	370,053,000	403,829,000
Surplus in the plan	72,105,000	55,001,000	11,896,000	44,785,000	47,977,000

Expected future benefit payments for the year ending 31 December 2012

	£
Expected future benefits payments	20,696,000

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 £32,580 (2010 £27,166) Outstanding contributions at the balance sheet date amounted to £nil (2010 £nil)