

EVONIK UK HOLDINGS LIMITED

Annual Report and Financial Statements

for the year ended

31 December 2017

Registered number: 02695034

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Evonik UK Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2017

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Evonik UK Holdings Limited

Strategic Report for the year ended 31 December 2017

Business review and principal activities

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

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

The results for the Company show a profit before taxation of £60,869,571 for the year (2016: Profit £56,334,213). Net assets at the end of the year were £665,363,721 (2016: £681,563,855).

On 3 January 2017, Evonik UK Holdings Limited acquired Evonik Chemicals Limited (formerly known as Air Products) for a total consideration of US\$0.4 billion (£0.3 billion).

Key performance indicators (KPIs)

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

On behalf of the Board

Julio Almeida
Director



27 September, 2018

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2017

The Directors present their annual report and the audited financial statements of Evonik UK Holdings Limited (Company number: 02695034) for the year ended 31 December 2017.

Future developments

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

Dividends

Dividends totalling £33,610,192 were paid to members in the year (2016: nil).

Directors

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

A Luu	
M Hau	(appointed 26 July 2017)
S McBain	(appointed 16 May 2017, resigned 30 June 2018)
J. Almeida	(appointed 8 June 2018)
T Mueller	(resigned 31 August 2017)

Research and development

There were no research and development costs during the year (2016: £nil).

Financial risk management

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

Principal risks and uncertainties

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

Foreign exchange

The company is not exposed to any foreign exchange risk. (2016, the company was exposed to foreign exchange risk through the acquisition of Evonik Chemicals Limited to movements in the value of Sterling).

Liquidity risk

Liquidity risk is the risk that the Company either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and headroom on its working capital facilities.

The Company owes inter-company borrowings of £49,437 (2016: £23,477,394) which are repayable on demand.

Interest rate cash flow risk

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

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

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2017 (Continued)

Directors' indemnity provisions

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the Directors at any time during the financial year (2016: none).

Directors' responsibilities statement

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

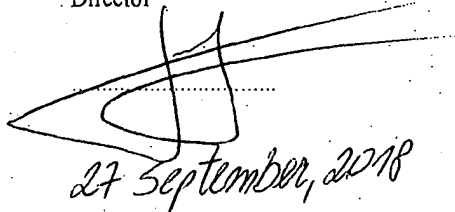
Statement of disclosure of information to auditors

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

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

On behalf of the Board

Julio Almeida
Director



27 September, 2018

Evonik UK Holdings Limited

Independent Auditors' Report to the members of Evonik UK Holdings Limited

Report on the financial statements

Opinion

In our opinion, Evonik UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Evonik UK Holdings Limited

Independent auditors' report to the members of Evonik UK Holdings Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of this report

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.

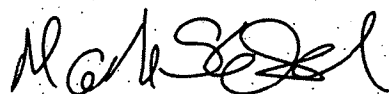
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Dated 28/09/18

Evonik UK Holdings Limited

Profit and Loss Account for the year ended 31 December 2017

	Note	2017 £	2016 £
Administrative expenses - before exceptional items		(2,569,283)	(2,518,499)
Administrative expenses - exceptional items		<u>(1,186,119)</u>	<u>(12,575,755)</u>
Administrative expenses		(3,755,402)	(15,094,254)
Other operating Income - before exceptional items		2,533,259	1,562,806
Other operating Income - exceptional items		<u>46,160,824</u>	<u>-</u>
Other operating Income		48,694,083	1,562,806
Operating profit/(loss)	2	44,938,681	(13,531,448)
Income from shares in group undertakings	5	15,289,368	279,593,600
Interest receivable and similar income	6	641,522	272,061
Amounts written off investments	8	<u>-</u>	<u>(210,000,000)</u>
Profit before taxation		60,869,571	56,334,213
Tax on profit	7	<u>(1,769,527)</u>	<u>-</u>
Profit for the financial year		<u>59,100,044</u>	<u>56,334,213</u>

Evonik UK Holdings Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 £	2016 £
Profit for the financial year		59,100,044	56,334,213
Other comprehensive income/(expenses)			
Items that will not be recycled to profit or loss			
Remeasurements of defined benefit liability/asset	21	3,537,000	(4,818,000)
Deferred tax relating to pension schemes	16	(626,192)	686,221
		<u>2,910,808</u>	<u>(4,131,779)</u>
Items that may be recycled to profit or loss			
Loss on available for sale financial assets		(557,227)	(17,173)
Movement of cashflow hedge reserve		(46,160,824)	46,160,824
Other deferred taxes		2,117,257	(2,117,257)
Others		-	(287,262)
		<u>(44,600,794)</u>	<u>43,739,132</u>
Other comprehensive (expense)/income for the year, net of tax		(41,689,986)	39,607,353
Total comprehensive income for the year		<u>17,410,058</u>	<u>95,941,566</u>

Evonik UK Holdings Limited

Balance Sheet as at 31 December 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	9		1		2
Investments	8		<u>605,098,857</u>		<u>310,307,899</u>
			605,098,858		310,307,901
Current assets					
Debtors	10	33,928,843		374,136,900	
Other investments	11	35,483,393		35,407,393	
Cash at bank and in hand		<u>218</u>		<u>288,009</u>	
		69,412,454		409,832,302	
Creditors: amounts falling due within one year	12	(1,429,543)		(23,946,522)	
Bank loans and overdrafts		<u>(30,257)</u>		<u>-</u>	
		(1,459,800)		(23,946,522)	
Net current assets			<u>67,952,654</u>		<u>385,885,780</u>
Total assets less current liabilities			<u>673,051,512</u>		<u>696,193,681</u>
Creditors: amounts falling due after more than one year	13	(287,311)		(343,311)	
Provisions for liabilities	14	(5,249,480)		(8,012,515)	
Pensions fund	21	<u>(2,151,000)</u>		<u>(6,274,000)</u>	
Net assets			<u>665,363,721</u>		<u>681,563,855</u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Cashflow hedge reserve					44,043,567
Profit and loss account			<u>665,362,721</u>		<u>637,519,288</u>
Total equity			<u>665,363,721</u>		<u>681,563,855</u>

The financial statements on pages 7 to 29 were approved by the Board of Directors on 27 Sep, 2018 and were signed on its behalf by:

Julio Almeida
Director

Evonik UK Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2017

	Called up Share Capital £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	1,000	-	585,621,289	585,622,289
Total comprehensive income for the year				
Profit for the financial year	-	-	56,334,213	56,334,213
Other comprehensive (expense)/income:				
Remeasurement of post-employment benefit plans, net of tax	-	-	(4,131,779)	(4,131,779)
Loss on available for sale financial assets	-	-	(17,173)	(17,173)
Others	-	-	(287,262)	(287,262)
Cash flow hedge reserve, net of tax	-	44,043,567	-	44,043,567
Total comprehensive income for the year	-	44,043,567	51,897,999	95,941,566
Balance at 31 December 2016	<u>1,000</u>	<u>44,043,567</u>	<u>637,519,288</u>	<u>681,563,855</u>
Total comprehensive income for the year				
Profit for the financial year	-	-	59,100,044	59,100,044
Other comprehensive income/(expense):				
Remeasurement of post-employment benefit plans, net of tax	-	-	2,910,808	2,910,808
Loss on available for sale financial assets	-	-	(557,227)	(557,227)
Cash flow hedge reserve, net of tax	-	(44,043,567)	-	(44,043,567)
Total comprehensive income for the year	-	(44,043,567)	61,453,625	17,410,058
Transactions with owners, recognised directly in equity				
Dividends paid of £33,610 per share	-	-	(33,610,192)	(33,610,192)
Balance at 31 December 2017	<u>1,000</u>	<u>-</u>	<u>665,362,721</u>	<u>665,363,721</u>

Dividends totalling £33,610,192 were paid to members in the year (2016: nil).

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017

1. Basis of accounting and principal accounting policies

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

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

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

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

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly-owned subsidiaries of Evonik Industries AG;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

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

Going concern

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

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

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

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

Significant accounting policies

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

Investments in shares in group undertakings

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

Tangible fixed assets and depreciation

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

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

Plant and machinery - 10 years

Other assets

Computers - 3 to 4 years

Furniture, fittings, tools and equipment - 4 years

Freehold land is not depreciated.

Assets in the course of construction are recognised at their purchase cost and start depreciating upon capitalization of each project.

Investments in Gilts

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

Foreign currencies

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

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

Pensions

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

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

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

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

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

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

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

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

Taxation

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

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

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

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

Financial instruments

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

Interest-bearing borrowings

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

Trade and other debtors

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

Trade and other creditors

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

Derivative financial instruments

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

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

Impairment

Financial assets (including trade and other debtors)

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

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

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

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

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

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

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

Impairment reviews

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

Provisions

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

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

Dividends

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

Exceptional Items

Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material, either because of their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate.

2. Operating profit / (loss)

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

	2017 £	2016 £
Fees payable for the audit	99,038	61,688
Exchange losses realised	201,276	12,588,692
Exchange losses un-realised	-	21,064,546
Exchange gains realised	(8,249)	(54,143)
Exchange gains un-realised	(24,683)	(23,081,171)
Release of provisions for liabilities	<u>(993,156)</u>	<u>(1,011,640)</u>

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

Operating profit includes £595,308 (2016: £741,029) in other operating income which mainly consists of recharge income received from other group undertakings for whom Evonik UK Holdings Limited has borne the original costs.

There are no unrealised exchange losses in the current year (2016: £12,575,755) of exceptional costs relates to the exchange losses realised from the hedging transaction to acquire Evonik Chemicals Limited.

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2017

3. Staff numbers and costs

	2017	2016
Average monthly number of employees	Number	Number
Administration	<u>7</u>	<u>6</u>

The aggregate payroll costs of these persons was as follows:

	2017	2016
	£	£
Wages and salaries	523,537	393,370
Social security costs	94,852	72,219
Other pension costs	<u>640,046</u>	<u>416,379</u>
	<u>1,258,435</u>	<u>881,968</u>

4. Directors' remuneration

All the Directors are employees of other Group undertakings and receive no emoluments in respect of services to the Company (2016: £nil).

5. Income from shares in group undertakings

	2017	2016
	£	£
Evonik Speciality Organics Limited	<u>15,289,368</u>	<u>279,593,600</u>
	<u>15,289,368</u>	<u>279,593,600</u>

6. Interest receivable and similar income

	2017	2016
	£	£
Interest from group undertakings	54,486	113,980
Other interest	176,809	219,081
Interest from pensions	(147,000)	(61,000)
Gains on gilts disposal	<u>557,227</u>	<u>-</u>
	<u>641,522</u>	<u>272,061</u>

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2017

7. Tax on profit

	2017 £	2016 £
Recognised in the profit and loss account:		
<i>Current tax</i>		
UK corporation tax on profit for the year	<u>1,694,809</u>	<u>-</u>
<i>Deferred tax</i>		
Deferred tax movement	<u>74,718</u>	<u>-</u>
Tax on profit/(loss)	<u><u>1,769,527</u></u>	<u><u>-</u></u>
Recognised in other comprehensive income		
Origination and reversal of temporary differences	(9,022,668)	(2,443,908)
Deferred tax impact of rate change	6,905,411	326,651
Remeasurements of defined benefit liability	626,192	686,221
Deferred tax in other comprehensive income	<u>(1,491,065)</u>	<u>(1,431,036)</u>
Total deferred tax for the year	<u><u>(1,416,347)</u></u>	<u><u>(1,431,036)</u></u>

Tax assessed for the year is lower than the standard rate of tax in the UK 2017: 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) before taxation	<u>60,869,571</u>	<u>56,334,213</u>
Profit before taxation multiplied by standard rate in the UK 19.25% (2016: 20%)	11,715,392	11,266,843
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(2,853,385)	(13,400,798)
Deferred tax movement not recognised	(6,381,682)	1,798,724
Capital gains	142,425	-
Adjustments in respect of prior years	-	8,580
Impact of rate change	-	326,651
Impact of rate difference between deferred and current tax	<u>(853,223)</u>	<u>-</u>
Total tax for the year	<u><u>1,769,527</u></u>	<u><u>-</u></u>

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017

7. Tax on profit (continued)

Factors affecting current and future tax charges:

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and further reductions to 17% (effective 1 April 2020), will reduce the company's future current tax charge accordingly.

8. Investments

	2017 Shares in group undertakings £	2016 Shares in group undertakings £
Cost or valuation		
At 1 January	1,245,909,703	1,245,909,703
Return of capital contribution	(33,610,192)	-
Additions	266,950,958	-
At 31 December	<u>1,479,250,469</u>	<u>1,245,909,703</u>
Impairments		
At 1 January	(935,601,804)	(725,601,804)
Impairments charged in the year	-	(210,000,000)
Reversal of impairment	15,289,368	-
At 31 December	<u>(920,312,436)</u>	<u>(935,601,804)</u>
Others		
Movement in cash flow hedge reserve	46,160,824	-
At 31 December	<u>46,160,824</u>	<u>-</u>
Net book amount		
At 31 December	<u>605,098,857</u>	<u>310,307,899</u>

The operating currency of Evonik Speciality Organics Limited is Euro. The exchange rate gain of Euro's against the Sterling at year end, led to a reversal of impairment in the investment in Evonik Speciality Organics Limited of £15,289,368 (2016: Impairment of £210,000,000 due to the dividend agreed in 2016). Furthermore Evonik Speciality Organics Limited returned capital contributions.

The Directors believe that the carrying value of the investments is supported by their recoverable amount.

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

The subsidiary undertakings and participating interests of the Company at 31 December 2017 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017

8. Investments (continued)

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

The registered address of the Company's subsidiaries, joint venture and trustees is Tego House, Chippenham Drive, Kingston, Milton Keynes MK10 0AF

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

9. Tangible assets

	Freehold land and buildings		Office equipment		Total	
	2017	2016	2017	2016	2017	2016
Cost	£	£	£	£	£	£
At 1 January	2	4	70,314	70,314	70,316	70,318
Disposals	(1)	(2)	-	-	(1)	(2)
At 31 December	<u>1</u>	<u>2</u>	<u>70,314</u>	<u>70,314</u>	<u>70,315</u>	<u>70,316</u>
Accumulated depreciation						
At 1 January and 31 December	-	-	(70,314)	(70,314)	(70,314)	(70,314)
Net book amount						
Closing	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
Opening	<u>2</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>4</u>

During the year assets totalling £1 were disposed, resulting in a loss on disposal of £1 (2016: £2). Included within Freehold land and buildings is £1 (2016: £2) of land which is not depreciated.

10. Debtors

	2017	2016
	£	£
Amounts falling due within one year		
Amounts owed by other group undertakings	33,408,987	373,897,672
Trade debtors	-	47,581
Other debtors	4,179	313
Prepayments and accrued income	150,007	191,334
	<u>33,563,173</u>	<u>374,136,900</u>
Amounts falling due after more than one year		
Deferred tax	365,670	-
Total debtors	<u>33,928,843</u>	<u>374,136,900</u>

Amounts owed by group undertakings includes an interest bearing asset consisting of a loan to its German parent Evonik Industries AG of £33,134,534 (2016: £37,472,375). The interest rate is calculated on an arm's length basis and is variable in nature. At 31 December 2017, the interest rate was 0.44% (2016: 0.16%). There are no fixed repayment terms, but the loan could be recalled at any time. Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

At 31 December 2017 the amounts owed by group undertakings includes the dividend receivable of Evonik Speciality Organics Limited.

Evonik UK Holdings Limited**Notes to the financial statements for the year ended 31 December 2017****11. Other investments**

The Company has an interest bearing bank deposit of £1,445,000 (2016: £1,369,000) falling due within one year. The interest rate is 0.60% (2016: 0.77%).

Since 2013 the Company has an interest bearing asset consisting of funds totalling £34,038,393 (2016: £34,038,393) which have been deposited into four Trusts (the 'Evonik Trusts'), one in respect of each of the four defined benefit Pension Schemes, and each held by Evonik Trustee Limited, the trustee of the Evonik Trusts and a subsidiary of the Company. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2017, the interest rate was 0.40% (2016: 0.25%). Repayment terms are stipulated in the Trust Deed and Rules and the Supplemental Deed, both dated 20 March 2013.

12. Creditors: amounts falling due within one year

	2017 £	2016 £
Amounts owed to group undertakings	49,437	23,477,394
Trade creditors	24,736	66,052
Other creditors	160,760	75,529
Accruals	373,687	327,547
Corporation tax	820,923	-
	<u>1,429,543</u>	<u>23,946,522</u>

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

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

	2017 £	2016 £
Other creditors	<u>287,311</u>	<u>343,311</u>

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

14. Provisions for liabilities

	Post- transaction liabilities £	Deferred tax liabilities £	Other £	Total £
At 1 January 2017	6,543,832	1,050,677	418,006	8,012,515
Released	(769,880)	-	(223,276)	(993,156)
Utilised	(684,222)	(1,050,677)	(34,980)	(1,769,879)
At 31 December 2017	5,089,730	-	159,750	5,249,480

Provisions totalling £5,089,729 (2016: £6,544,832) 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 £178,760 (2016: £1,081,666). In establishing the post-transaction liability related provisions, the Directors have considered a range of possible scenarios and have exercised a judgement as to what a probable outcome might be.

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

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

One element of the total provision is categorised under the label 'Other Provisions'; this totals £159,750 (2016: £418,006). These provisions relate to liabilities such as uninsured elements of Employers' Liability claims and restructuring costs. With the exception of the Employers' Liability costs, the Directors have given due consideration to the likely timing for the crystallisation of these liabilities, and are of the view that the Company's exposure to these matters will be eliminated within the next two years and, hence, the time value of money is not considered material.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

15. Financial instruments

There are no financial instruments in existence at the balance sheet date. The following existed in 2016:

Cash flow hedge with Evonik Industries AG

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

16. Deferred tax assets/(liabilities)

	2017 £	2016 £
Deferred tax asset relating to pensions	365,670	1,066,580
Deferred tax asset relating to losses brought forward	-	6,905,411
Deferred tax liability relating to temporary differences	-	(9,022,668)
Total deferred tax asset/(liability)	365,670	(1,050,677)
	£	£
At 1 January	(1,050,677)	380,359
(Debited)/credited in respect of pension scheme	(626,192)	686,221
Other credited/(debited) in respect of pension scheme	2,117,257	(2,117,257)
Deferred tax expense in Profit and loss account	(74,718)	-
At 31 December	365,670	(1,050,677)

17. Called up share capital

	2017 £	2016 £
<i>Allotted and fully paid</i>		
1,000 ordinary shares of £1 each (2016: 1,000 ordinary shares of £1 each)	1,000	1,000

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

18. Related party relationships and transactions

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

19. Ultimate holding company and controlling party

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

The ultimate parent company of Evonik UK Holdings 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.

20. Estimates and Judgements

Provisions for liabilities and charges

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

Impairment of Investment in subsidiaries

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

Taxation

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

Pension

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Pension Fund

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

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.

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 Limited Pension Scheme and Degussa-Huls Employees' Pension Scheme

The Synthetic Chemicals Limited Pension Scheme and The Degussa-Huls Employees' Pension Scheme provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company, being invested with an insurance company.

Roehm Limited Retirement and Death Benefits Scheme

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

	EPS scheme	Other schemes	Total
	£	£	£
Present value of the obligations	(42,457,000)	(408,853,000)	(451,310,000)
Fair value of plan assets	46,967,000	498,979,000	545,946,000
Surplus before consideration of the asset ceiling	4,510,000	90,126,000	94,636,000
Amounts not recognised due to the effect of the asset ceiling	(4,510,000)	(92,277,000)	(96,787,000)
Retirement benefit obligation recognised in the balance sheet	-	(2,151,000)	(2,151,000)

	EPS scheme	2016 Other schemes	Total
	£	£	£
As at 31 December 2016			
Present value of the obligations	(44,524,000)	(443,646,000)	(488,170,000)
Fair value of plan assets	45,020,000	500,315,000	545,335,000
Surplus /before consideration of the asset ceiling	496,000	56,669,000	57,165,000
Amounts not recognised due to the effect of the asset ceiling	(496,000)	(62,943,000)	(63,439,000)
Retirement benefit obligation recognised in the balance sheet	-	(6,274,000)	(6,274,000)

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Pension fund (continued)

Statement of Comprehensive income:

Profit and loss:

Amounts recognised in profit and loss were as follows:

	2017		
	EPS scheme £	Other schemes £	Total £
Current service cost	(637,000)	-	(637,000)
Total expenses relating to defined benefit plan	(637,000)	-	(637,000)
Net interest cost	(5,000)	153,000	148,000
	2016		
	EPS scheme £	Other schemes £	Total £
Current service cost	(412,000)	-	(412,000)
Total expenses relating to defined benefit plan	(412,000)	-	(412,000)
Net interest cost	(10,000)	71,000	61,000

Other Comprehensive Income:

Amounts recognised in other comprehensive income were as follows:

	2017		
	EPS scheme £	Other schemes £	Total £
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	114,000	(3,156,000)	(3,042,000)
Arising from changes in financial assumptions	(1,640,000)	(9,671,000)	(11,311,000)
Arising from changes in demographic assumptions	(1,099,000)	(7,343,000)	(8,442,000)
Total actuarial loss before consideration of asset ceiling	(2,625,000)	(20,170,000)	(22,795,000)
Return on plan assets excluding interest income	(1,521,000)	(11,003,000)	(12,524,000)
Loss/(gain) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	3,998,000	27,784,000	31,782,000
Total actuarial loss recognised in other comprehensive income	(148,000)	(3,389,000)	(3,537,000)
	2016		
	EPS scheme £	Other schemes £	Total £
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	(491,000)	(10,676,000)	(11,167,000)
Arising from changes in financial assumptions	12,082,000	82,047,000	94,129,000
Total actuarial gain before consideration of asset ceiling	11,591,000	71,371,000	82,962,000
Return on plan assets excluding interest income	(5,502,000)	(50,972,000)	(56,474,000)
(Gain)/loss resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(6,113,000)	(15,557,000)	(21,670,000)
Total actuarial loss recognised in other comprehensive income	(24,000)	4,842,000	4,818,000

Evonik UK Holdings Limited
Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Pension fund (continued)

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

EPS:	2017			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability*
	£	£	£	£
At 1 January 2017	45,020,000	(496,000)	(44,524,000)	-
Current service cost	-	-	(637,000)	(637,000)
Interest income/cost	1,100,000	(15,000)	(1,080,000)	5,000
Actuarial (losses)/gains	1,521,000	(3,999,000)	2,625,000	147,000
Employer contributions	485,000	-	-	485,000
Contributions from scheme participants	71,000	-	(71,000)	-
Benefits paid from plan assets	(1,230,000)	-	1,230,000	-
At 31 December 2017	<u>46,967,000</u>	<u>(4,510,000)</u>	<u>(42,457,000)</u>	<u>-</u>

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

For the other schemes:

	2017			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2017	500,315,000	(62,943,000)	(443,645,000)	(6,273,000)
Interest income/cost	12,021,000	(1,550,000)	(10,624,000)	(153,000)
Actuarial (losses)/gains	11,003,000	(27,784,000)	20,171,000	3,390,000
Employer contributions	733,000	-	-	733,000
Benefits paid from plan assets	(25,093,000)	-	25,245,000	152,000
At 31 December 2017	<u>498,979,000</u>	<u>(92,277,000)</u>	<u>(408,853,000)</u>	<u>(2,151,000)</u>

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Pension fund (continued)

For the other schemes:

2016

	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2016	455,548,000	(75,758,000)	(381,903,000)	(2,113,000)
Interest income/cost	16,108,000	(2,742,000)	(13,437,000)	(71,000)
Actuarial gains/(losses)	50,972,000	15,557,000	(71,371,000)	(4,842,000)
Employer contributions	603,000			603,000
Benefits paid from plan assets	(22,916,000)		23,065,000	149,000
At 31 December 2016	500,315,000	(62,943,000)	(443,646,000)	(6,274,000)

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

Plan asset information

	EPS scheme	2017 Other schemes	Total
Allocation percentage			
Equity securities	29.97%	14.25%	15.61%
Government bonds	59.77%	85.31%	83.10%
Pensioner annuities	10.26%	0.44%	1.29%
	100.00%	100.00%	100.00%
Fair value of plan assets	46,967,000	498,979,000	545,946,000
Expected return on plan assets	7,720,000	5,401,000	13,121,000

Plan asset information

	EPS scheme	2016 Other schemes	Total
Allocation percentage			
Equity securities	29.50%	13.53%	14.84%
Government bonds	58.75%	85.98%	83.74%
Pensioner annuities	11.75%	0.49%	1.42%
	100.00%	100.00%	100.00%
Fair value of plan assets	45,020,000	500,315,000	545,335,000
Expected return on plan assets	1,385,000	16,037,000	17,422,000

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Pension fund (continued)

	2017		2016	
	EPS scheme	Other schemes	EPS Scheme	Other schemes
Assumptions and dates used at disclosure				
Discount rate	2.56%	2.56%	2.46%	2.46%
Retail price inflation	3.39%	3.39%	3.47%	3.47%
Consumer price inflation	2.39%	2.39%	2.47%	2.47%
Rate of salary increase	4.39%	-	4.47%	-
Pension increases for in-payment benefits	2.39%	3.19% - 4.39%	2.47%	3.27% - 4.47%
Pension increases for deferred benefits	2.39%	2.39%	2.47%	2.47%
Plan Participant Census date	31-Oct-15	31-Mar-15	31-Oct-15	31-Mar-15

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

The mortality assumptions were as follows:

	2017		2016	
	EPS scheme years	Other schemes	EPS Scheme years	Other schemes
Longevity at age 65 for current pensioners:				
- Men	23.5	21.4 - 22.4	23.8	21.5 - 22.6
- Women	24.7	23.4 - 24.6	25.1	23.7 - 24.9
Longevity at age 65 for future pensioners:				
- Men	24.5	22.4 - 23.4	23.9	22.8 - 23.8
- Women	25.9	24.6 - 25.7	26.5	25.0 - 26.6

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

	EPS scheme	Other schemes	EPS Scheme	Other schemes
Discount rate	-19%	-13%	-19%	-13%
Price inflation	16%	12%	15%	7%
Consumer price inflation	10%	1%	10%	2%
Rate of salary increase	6%	N/A	6%	N/A
Pension increases for in-payment benefits	7%	9%	7%	10%

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 £3,046 (2016: £4,379). Outstanding contributions at the balance sheet date amounted to £nil (2016: £nil).