

EVONIK UK HOLDINGS LIMITED

Annual Report and Financial Statements

for the year ended

31 December 2021

Registered number: 02695034

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Evonik UK Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2021

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Evonik UK Holdings Limited

Strategic Report for the year ended 31 December 2021

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 legal, 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 the 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 loss before taxation of £26,043,683 for the year (2020: profit £41,908,157). The loss in 2021 was a result of large impairments in investments. The profit in 2020 was due to large reversals of impairments. Net assets at the end of the year were £409,896,324 (2020: £431,249,007).

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company relate to pension funding and potential fluctuations in the interest rate.

Financial risk management

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

Foreign exchange

The company is not exposed to any foreign exchange risk (2020: none).

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.

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 Libor.

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.

Going Concern

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

As at the 31 December 2021 the Company had net assets of £409,896,324 and net current assets of £36,920,989. The directors have prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

Evonik UK Holdings Limited

Strategic Report for the year ended 31 December 2021 (continued)

The directors have assessed the Company forecasts for a period of 12 months from the date of approval of these financial statements including assumptions over the certainty of cash flows. These forecasts indicate that, even when considering a severe but plausible downside, the company will continue to have sufficient funds to meet its liabilities as they fall due.

After taking into consideration the Company's positive net asset position, absence of debt and availability of cash as well as the current economic environment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (at least 12 months after the date of approval of these financial statements). Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Approved by the Board on 7 December 2022 and signed on its behalf by:



Anh Luu
Director
21 December 2022

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2021

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 2021

Future developments

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

Dividends

There were no dividends paid in the year (2020: 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

L Aoulad Si Kaddour

A Boam (Appointed on 26th October 2021).

Research and development

There were no research and development costs during the year (2020: £nil).

Financial instruments

There were no financial instruments held during the year (2020: £nil).

Political donations

The company made no political contributions during the year (2020: nil).

Employees

During the year the company had an average number of 5 employees (2020: 6).

The Directors recognise that employees are fundamental and core to the business and delivery of the company's strategic ambitions. The success of the company's business depends on attracting, retaining and motivating employees. From pay and benefits to health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce.

Statement of engagement with suppliers, customers and others in a business relationship with the company

The directors recognise that delivering their strategy requires strong mutually beneficial relationships with suppliers, customers, and others in a business relationship with the company. The directors seek the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter or remain in such relationships. The company has a set of business principles that must be adhered to whilst engaging with suppliers, customers and other external stakeholders. The board of directors continuously assess the priorities related to customers and those with whom the company does business and engages with the businesses on these topics.

Statement of corporate governance arrangements

The board of directors periodically review and approve clear frameworks, such as The Evonik General Business Principles, Evonik's CODE OF CONDUCT, and specific Ethics & Compliance manuals, to ensure that its high standards are maintained both within the business and the business relationships it maintains. This, complemented by the ways the board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that the company acts in ways that promote high standards of business conduct.

Evonik UK Holdings Limited

Directors' Report for the year ended 31 December 2021 (Continued)

The company accepts responsibility for the community and environment and believes that responsible action and economic success belong inseparably together. The board have therefore included ecological and social criteria in their business decisions in order to pursue new, sustainable paths. The company's most recent Sustainability Strategy was developed in constant dialogue with its stakeholders. Evonik's materiality analysis and the sustainable development goals have been incorporated into this strategy.

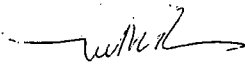
Directors' indemnity provisions

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 (2020: none) and at the date of approval of the financial statements.

Independent auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board on 7 December 2022 and signed on its behalf by:



Anh Luu
Director
21 December 2022

Evonik UK Holdings Limited

Statement of directors' responsibilities for the year ended 31 December 2021

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the Financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Evonik UK Holdings Limited

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

Opinion

We have audited the financial statements of Evonik UK Holdings Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Evonik UK Holdings Limited

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit, we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unbalanced journals and journals containing specific words.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Evonik UK Holdings Limited

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

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

This Company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly

planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible

for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Evonik UK Holdings Limited

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Other matter – Prior period financial statements

We note that the prior period financial statements were not audited. Consequently, ISAs (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited. Our opinion is not modified in respect of this matter.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

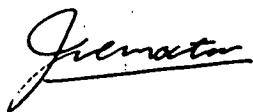
Evonik UK Holdings Limited

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no

other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Justin Vermooten (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

58 Clarendon Road

Watford

Hertfordshire

WD17 1DE

Date: 23 December 2022

Evonik UK Holdings Limited

Profit and Loss Account for the year ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses		(8,332,411)	(2,230,203)
Other operating income		<u>833,676</u>	<u>3,227,294</u>
Operating (loss)/profit	2	(7,498,735)	997,091
(Amounts written off shares in group undertakings)/Reversal of Impairment	4	(18,712,152)	38,076,734
Income from shares in group undertakings	5	-	2,655,000
Interest receivable and similar income	6	196,689	264,405
Interest payable and similar expenses	7	<u>(29,485)</u>	<u>(85,073)</u>
(Loss)/Profit before taxation		(26,043,683)	41,908,157
Tax on (loss)/profit	8	-	378,420
(Loss)/Profit for the financial year		<u>(26,043,683)</u>	<u>42,286,577</u>

Evonik UK Holdings Limited

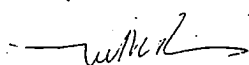
Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £	2020 £
Profit/(Loss) for the financial year		(26,043,683)	42,286,577
Other comprehensive (expense)/income			
Items that will not be recycled to profit or loss			
Remeasurements of defined benefit liability/asset	19	4,691,000	(3,553,000)
Deferred tax relating to pension schemes	15	-	(1,178,440)
Other comprehensive (expense)/income for the year, net of tax		4,691,000	(4,731,440)
Total comprehensive (expense)/income for the year		(21,352,683)	37,555,137

Evonik UK Holdings Limited
Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
Non-Current assets			
Investments	9	342,108,154	360,895,306
Debtors: amounts falling due after more than one year	10	34,038,393	34,038,393
Other investments	11	1,626,000	1,452,000
		<u>377,772,547</u>	<u>396,385,699</u>
Current assets			
Debtors: amounts falling due within one year	10	37,582,754	40,676,950
Cash at bank and in hand		1,698	4,655
		<u>37,584,452</u>	<u>40,681,605</u>
Current liabilities			
Creditors: amounts falling due within one year	12	(663,463)	(199,085)
Net current assets		36,920,989	40,482,520
Total assets less current liabilities		414,693,536	436,868,219
Creditors: amounts falling due after more than one year	12	(119,311)	(175,311)
Provisions for liabilities	13	(2,739,901)	(3,289,901)
Pensions fund	19	(1,938,000)	(2,154,000)
Net assets		409,896,324	431,249,007
Capital and reserves			
Called up share capital	20	1,000	1,000
Profit and loss account		409,895,324	431,248,007
Total equity		409,896,324	431,249,007

The financial statements on pages 11 to 34 were approved by the Board on 7 December 2022 and signed on its behalf by:



Anh Luu
Director
21 December 2022

Registered number: 02695034

Evonik UK Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Called up Share Capital £	Profit and loss account £	Total equity £
Balance at 1 January 2020	1,000	393,692,870	393,693,870
Loss for the financial year	-	42,286,577	42,286,577
<i>Other comprehensive expense:</i>			
Remeasurement of post-employment benefit plans, net of tax	-	(4,731,440)	(4,731,440)
Total comprehensive expense for the year	-	37,555,137	37,555,137
Transactions with owners, recognised directly in equity			
Balance at 31 December 2020	1,000	431,248,007	431,249,007
Profit for the financial year	-	(26,043,683)	(26,043,683)
<i>Other comprehensive expense:</i>			
Remeasurement of post-employment benefit plans, net of tax	-	4,691,000	4,691,000
Total comprehensive income for the year	-	(21,352,683)	(21,352,683)
Transactions with owners, recognised directly in equity			
Balance at 31 December 2021	1,000	409,895,324	409,896,324

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021

1. Basis of accounting and principal accounting policies

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 is a private limited company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Unit 6 Greenford Park, Ockham Drive, Greenford, Middlesex, England, UB6 0FD.

The financial statements are prepared on the going concern basis and under the historical cost convention 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:

- IAS 7 - A Cash Flow Statement and related notes;
- IAS 1 - Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- IAS 24 - Disclosures in respect of transactions with wholly owned subsidiaries of Evonik Industries AG;
- IAS 8 - The effects of new but not yet effective IFRS's;
- IAS 24 - Disclosures in respect of the compensation of Key Management Personnel.
- IFRS 7 - Disclosures in respect of financial instruments.

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.

There are no new or amended accounting standards or IFRIC interpretations, that are effective for the year ended 31 December 2021, that have had a material impact on 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 19.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

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

Going concern

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

As at the 31 December 2021 the Company had net assets of £409,896,324 and net current assets of £36,920,989. The directors have prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

The directors have assessed the Company forecasts for a period of 12 months from the date of approval of these financial statements including assumptions over the certainty of cash flows. These forecasts indicate that, even when considering a severe but plausible downside, the company will continue to have sufficient funds to meet its liabilities as they fall due.

After taking into consideration the Company's positive net asset position, absence of debt and availability of cash as well as the current economic environment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (at least 12 months after the date of approval of these financial statements). Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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:

Furniture, fittings and equipment - 4 years

Freehold land is not depreciated.

Investments in bank deposits

Investments in bank deposits 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 2021 (continued)

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

Pensions

The Company is the principal employer of a UK pension scheme. Pension arrangements for staff are operated through a defined benefit scheme and a stakeholder scheme which is defined contribution. The scheme is 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 a defined benefit pension plan (see note 20). 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 2021 (continued)

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

Financial instruments

Financial instruments comprise cash and cash equivalents, accruals and trade, inter-company and other debtors and creditors.

Other debtors and amounts owed by group undertakings

Other debtors and amounts owed by group undertakings 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.

Other creditors, accruals and amounts owed to group undertakings

Other creditors, accruals and amounts owed to group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment

Financial assets (including other debtors and amounts owed by group undertakings)

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 2021 (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.

Provisions

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

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

Dividends

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

2. Operating (loss)/profit

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

	2021 £	2020 £
Fees payable for the audit	68,149	41,200
Exchange losses realised	4,485	4,073
Pension service costs	4,600,000	647,000
Exchange gains realised	(2,801)	(6,304)
Release of provisions for liabilities	<u>(550,000)</u>	<u>(635,296)</u>

Evonik UK Holdings Limited has borne audit fees totalling £27,072 (2020: £5,200) for other UK group companies and has not recharged these to the related companies.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. Staff costs and numbers

	2021	2020
	£	£
Wages and salaries	442,735	415,320
Social security costs	49,551	59,973 /
Other pension costs	4,633,829	657,684
	<u>5,126,115</u>	<u>1,132,977</u>

The average number of persons employed by the company during the year was 5 (2020: 6).

The total Directors' emoluments were £147,501 (2020: £194,278) for one director. Total contributions of £11,139 were paid in respect of contributions to a pension scheme (2020: £nil).

4. Reversal of (Amounts written off shares in group undertakings)/Impairment

	2021	2020
	£	£
Reversal of Impairment Evonik Chemicals Limited	-	27,987,803
(Impairment)/Reversal of Impairment Evonik Speciality Organics Limited	(13,012,152)	11,475,642
(Impairment) of Evonik Membrane Extraction Technology Limited	(5,700,000)	-
(Impairment) of Evonik Amalgamation Limited	-	(1,386,711)
	<u>(18,712,152)</u>	<u>38,076,734</u>

In 2019 there was an impairment to the investment in Evonik Chemicals Limited as a result of the company switching from a contract manufacturer to a toll manufacturer. This change in business model was expected to have a negative impact on the financial position of the company. The impairment was reversed in 2020 as the change did not have a negative impact on the financial position of the company.

In 2020 there was a reversal of an impairment to the investment in Evonik Speciality Organics Limited as a result of a favourable exchange rate gain between the Euro and British Pound Sterling.

In 2021 a further impairment was made to the investment in Evonik Speciality Organics Limited as the company was no longer actively trading. The investment has been written down to the value of the net assets of the company.

5. Income from shares in group undertakings

	2021	2020
	£	£
Dividend received from Evonik Goldschmidt UK Limited	-	2,655,000

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

6. Interest receivable and similar income

	2021	2020
	£	£
Interest and similar income from group undertakings	150,579	137,994
Other interest and similar income	46,110	126,411
	<u>196,689</u>	<u>264,405</u>

7. Interest payable and similar expenses

	2021	2020
	£	£
Interest and similar expenses from group undertakings	3,475	878
Other interest and similar expenses	1,010	3,195
Interest payable related to pensions (note 20)	25,000	81,000
	<u>29,485</u>	<u>85,073</u>

8. Tax on (loss)/profit

	2021	2020
	£	£
Recognised in the profit and loss account:		
Current tax		
UK corporation tax on profit/(loss) for the year	-	-
Deferred tax		
Deferred tax movement	-	(378,420)
Tax on profit/(loss)	<u>-</u>	<u>(378,420)</u>
Income tax recognised in other comprehensive income		
Actuarial gains and losses on defined benefit pension plan	-	1,178,440
Deferred tax in other comprehensive income	<u>-</u>	<u>1,178,440</u>

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Tax on (loss)/profit (continued)

Tax assessed for the year is lower (2020: lower) than the standard rate of tax in the UK of 19% (2020: 19%).

The differences are explained below.

	2021 £	2020 £
Profit/(Loss) before taxation	<u>(26,043,683)</u>	<u>41,908,157</u>
Profit/(loss) before taxation multiplied by standard rate in the UK 19% (2019: 19%)	(4,948,300)	7,962,550
Effects of:		
Expenses not deductible for tax purposes	3,555,313	147,145
Income not taxable	-	(7,739,029)
Deferred tax movement not recognised	691,796	(1,303,483)
Group relief not paid for	701,191	509,877
Tax rate changes	-	44,520
Total tax for the year	<u>-</u>	<u>(378,420)</u>

Factors affecting current and future tax charges:

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9. Investments

	2021	2020
	Shares in group	Shares in group
	undertakings	undertakings
	£	£
Cost or valuation		
At 1 January	1,392,396,193	1,406,906,851
Additions	-	5,700,000
Disposals	(75,000)	(20,210,658)
Return of capital contribution	-	-
At 31 December	<u>1,392,321,193</u>	<u>1,392,396,193</u>
Impairments and other movements		
At 1 January	(1,031,500,887)	(1,083,577,621)
Reversals	-	39,463,445
Impairment	(18,712,152)	(1,386,711)
Disposals	-	14,000,000
At 31 December	<u>(1,050,213,039)</u>	<u>(1,031,500,887)</u>
Net book amount		
At 31 December	<u>342,108,154</u>	<u>360,895,306</u>

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

During the year the company sold its holding in preference shares of £75,000 back to Evonik Chemicals Limited.

Due to the ongoing discussions around the closure of Evonik Membrane Extraction Technology Limited in 2023 and the fact that the carrying value of the investment is not supported by the value of its net assets, the investment in the company has been fully written off.

As Evonik Speciality Organics Limited is no longer actively trading, the investment has been written down to the book value of the company.

The subsidiary undertakings of the Company at 31 December 2021 are listed under their countries of incorporation, which are also the countries of activity unless otherwise stated. Details of the Company's subsidiary undertakings are as follows:

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9. Investments (continued)

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

The registered address of the Company's subsidiaries and trustees is Unit 6 Greenford Park, Ockham Drive, Greenford, Middlesex, England, UB6 0FD

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. Debtors

	2021 £	2020 £
Amounts falling due within one year		
Amounts owed by group undertakings	37,299,013	39,377,146
Other debtors	224,261	1,276,405
Prepayments and accrued income	59,480	23,399
	<u>37,582,754</u>	<u>40,676,950</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	34,038,393	34,038,393
Deferred tax (see note 16)	-	-
	<u>34,038,393</u>	<u>34,038,393</u>
Total debtors	<u>71,621,147</u>	<u>74,715,343</u>

Amounts owed by group undertakings includes an interest bearing asset consisting of an unsecured loan to its German parent Evonik Industries AG of £37,018,393 (2020: £39,137,887). The interest rate is calculated on an arm's length basis and is variable in nature based on one month Libor. 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.

Since 2013 the company has a loan to its subsidiary Evonik Trustee Limited. This interest bearing asset consists of funds totalling £34,038,393 (2020: £34,038,393) which have been deposited into a Trust (the 'Evonik Trusts'), and held by Evonik Trustee Limited, the trustee of the Evonik Trusts. The interest rate is calculated on an arm's-length basis and is variable in nature. At 31 December 2021, the interest rate was 0.19% (2020: 0.15%). The loan is repayable on termination of the Trust Deed with Evonik Trustee Limited and Evonik Pension Scheme Trustee Limited, as stipulated in the Trust Deed and Rules and the Supplemental Deed, both dated 20 March 2013. The directors assessment of the Trust Deed is that it will terminate in a period greater than 12 months from the balance sheet date and it is therefore classified as an amount falling due after more than one year.

11. Other investments

	2021 £	2020 £
Bank fixed deposit	<u>1,626,000</u>	<u>1,452,000</u>

In 2021 the Company had interest bearing bank deposits totalling £1,626,000 (2020 £1,452,000) falling due within one year.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

12. Creditors

	2021 £	2020 £
Amounts falling due within one year		
Amounts owed to group undertakings	99,231	-
Other creditors	71,521	33,207
Accruals	492,711	165,878
	<u>663,463</u>	<u>199,085</u>
 Amounts falling due after more than one year		
Other creditors	<u>119,311</u>	<u>175,311</u>
 Total creditors	<u>782,774</u>	<u>374,396</u>

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

13. Provisions for liabilities

	Post-transaction liabilities £	Other £	Total £
At 1 January 2021	3,289,901	-	3,289,901
Released to profit and loss	(550,000)	-	(550,000)
Utilised	-	-	-
At 31 December 2021	<u>2,739,901</u>	<u>-</u>	<u>2,739,901</u>

Provisions totalling £2,739,901 (2020: £3,289,901) relate to post-transaction environmental liabilities and associated claims or litigation as a result of indemnities given on divestments. 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.

Based on legal advice provided in 2017, the provision is being released over a period of 10 years at a value of £550,000 per year.

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, due to the timing of when liabilities will crystallise, the time value of money is not considered material.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

14. Financial instruments

There are no derivative financial instruments in existence at the balance sheet date (2020:nil).

15. Deferred tax assets

	2021 £	2020 £
Deferred tax asset	-	-
Total deferred tax asset	-	-
	£	£
At 1 January	-	800,020
Movement in respect of pensions recognised in OCI	-	(1,178,440)
Credit/(charge) to profit and loss account	-	378,420
At 31 December	-	-
Unrecognised deferred tax asset:	£	£
Fixed assets	6,750	6,256
Temporary differences trading	684,975	625,081
Losses	10,083,497	7,598,130
Pension Scheme	836,713	810,782
	11,611,935	9,040,249

16. 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.

17. Dividends

No dividends were paid in the year. (2020: £Nil).

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

18. Estimates and Judgements

Provisions for liabilities and charges

The company is likely to receive legal claims relating to prior year environmental activities (see note 14). 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.

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.

19. Pensions fund

For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan including investment decisions and contribution schedules lies jointly with the company and the board of trustees of the fund.

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

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 scheme is closed to new members.

The assets and liabilities of the legacy funded schemes Evonik Pension Scheme, Synthetic Chemicals Limited Pension Scheme and Degussa-Huls Employees' Pension Scheme were transferred into the Laporte Group Pension Trust in December 2020.

Shortly after the transfer, a buy-in transaction was entered into with L&G securing the benefits in LGPT, and those of the transferring-in schemes.

Following the transfer of all the assets and liabilities to the Laporte Group Pension Trust, the legacy schemes were wound up during 2021.

Unapproved arrangements

The Company also provides unfunded post-retirement medical and pension benefits in respect of a small number of past employees.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

	2021		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
As at 31 December 2021:			
Present value of the obligations	(450,051,000)	(1,938,000)	(451,989,000)
Fair value of plan assets	452,719,000	-	452,719,000
Surplus before consideration of the asset ceiling	2,668,000	(1,938,000)	730,000
Amounts not recognised due to the effect of the asset ceiling	(2,668,000)	-	(2,668,000)
Retirement benefit obligation recognised in the balance sheet	-	(1,938,000)	(1,938,000)

	2020		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
As at 31 December 2020:			
Present value of the obligations	(480,944,000)	(2,154,000)	(483,098,000)
Fair value of plan assets	487,634,000	-	487,634,000
Surplus /before consideration of the asset ceiling	6,690,000	(2,154,000)	4,536,000
Amounts not recognised due to the effect of the asset ceiling	(6,690,000)	-	(6,690,000)
Effect of onerous liability	-	-	-
Retirement benefit obligation recognised in the balance sheet	-	(2,154,000)	(2,154,000)

The latest full actuarial valuation of the schemes were carried out as at 31 March 2018 and have been updated by the actuary on an IAS 19 "Employee Benefits" basis at 31 December 2021.

Statement of Comprehensive income:

Profit and loss:

Amounts recognised in profit and loss were as follows:

	2021		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
Current service cost	-	-	-
Past service cost	4,600,000	-	4,600,000
Curtailment credit	-	-	-
Total expenses relating to defined benefit plan	4,600,000	-	4,600,000
Net interest cost	-	25,000	25,000

	2020		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
Current service cost	(647,000)	-	(647,000)
Past service cost	-	-	-
Curtailment Credit	2,554,000	-	2,554,000
Total expenses relating to defined benefit plan	1,907,000	-	1,907,000
Net interest cost	40,000	41,000	81,000

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

Other Comprehensive Income:

Amounts recognised in other comprehensive income were as follows:

	2021		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	3,159,000	(94,000)	3,065,000
Arising from changes in financial assumptions	(15,951,000)	(9,000)	(15,960,000)
Arising from changes in demographic assumptions	(935,000)	(6,000)	(941,000)
Total actuarial loss before consideration of asset ceiling	(13,727,000)	(109,000)	(13,836,000)
Return on plan assets excluding interest income	13,249,000	-	13,249,000
Loss/(gain) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(4,104,000)	-	(4,104,000)
Total actuarial loss recognised in other comprehensive income	(4,582,000)	(109,000)	(4,691,000)

	2020		
	Funded schemes	Unapproved arrangements	Total
	£	£	£
Actuarial (gain)/loss on defined benefit obligations:			
Arising from experience	2,889,000	(64,000)	2,825,000
Arising from changes in financial assumptions	46,899,000	139,000	47,038,000
Arising from changes in demographic assumptions	549,000	2,000	551,000
Total actuarial gain before consideration of asset ceiling	50,337,000	77,000	50,414,000
Return on plan assets excluding interest income	38,731,000	-	38,731,000
Loss/(gain) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(85,592,000)	-	(85,592,000)
Total actuarial loss recognised in other comprehensive income	3,476,000	77,000	3,553,000

Movements in the present value of the defined benefit scheme assets, obligations and net defined benefit liability in the current year were as follows:

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

Funded schemes

	2021			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2021	487,634,000	(6,690,000)	(480,944,000)	-
Current service cost	-	-	-	-
Interest income/cost	5,860,000	(82,000)	(5,778,000)	-
Past service cost	-	-	(4,600,000)	(4,600,000)
Actuarial (losses)/gains	(13,249,000)	4,104,000	13,727,000	4,582,000
Employer contributions	18,000	-	-	18,000
Contributions from scheme participants	4,000	-	(4,000)	-
Benefits paid from plan assets	(27,548,000)	-	27,548,000	-
At 31 December 2021	452,719,000	(2,668,000)	(450,051,000)	-

Funded schemes

	2020			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2020	536,073,000	(90,502,000)	(448,109,000)	(2,538,000)
Current service cost	-	-	(647,000)	(647,000)
Interest income/cost	10,230,000	(1,780,000)	(8,490,000)	(40,000)
Past service cost	-	-	-	-
Curtailement	-	-	2,554,000	2,554,000
Actuarial (losses)/gains	(38,731,000)	85,592,000	(50,337,000)	(3,476,000)
Employer contributions	4,147,000	-	-	4,147,000
Contributions from scheme participants	67,000	-	(67,000)	-
Benefits paid from plan assets	(24,152,000)	-	24,152,000	-
At 31 December 2020	487,634,000	(6,690,000)	(480,944,000)	-

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

Unapproved arrangements

	2021			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2021	-	-	(2,154,000)	(2,154,000)
Current service cost	-	-	-	-
Interest income/cost	-	-	(25,000)	(25,000)
Past service cost	-	-	-	-
Actuarial (losses)/gains	-	-	109,000	109,000
Employer contributions	-	-	-	-
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets/book reserves	-	-	132,000	132,000
At 31 December 2021	-	-	(1,938,000)	(1,938,000)

Unapproved arrangements

	2020			
	Assets	Effect of asset ceiling and minimum funding liability	Liabilities	Net defined benefit liability
	£	£	£	£
At 1 January 2020	-	-	(2,168,000)	(2,168,000)
Current service cost	-	-	-	-
Interest income/cost	-	-	(41,000)	(41,000)
Past service cost	-	-	-	-
Curtailment	-	-	-	-
Actuarial gains/(losses)	-	-	(77,000)	(77,000)
Employer contributions	-	-	-	-
Contributions from scheme participants	-	-	-	-
Benefits paid from plan assets/book reserves	-	-	132,000	132,000
At 31 December 2020	-	-	(2,154,000)	(2,154,000)

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

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

Plan asset information

	2021
	Funded Schemes
Allocation percentage	
Equity securities	0.00%
Debt securities	0.00%
Buy-in asset and annuity policies	99.08%
Cash/Other	0.92%
	100.00%

Fair value of plan assets	452,719,000
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Plan asset information

	2020
	Funded Schemes
Allocation percentage	
Equity securities	0.00%
Debt securities	0.00%
Buy-in asset and annuity policies	98.03%
Cash/Other	1.97%
	100.00%

Fair value of plan assets	487,634,000
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The fair value of the buy-in asset and other annuity policies has been determined as the present value of the related benefit obligation under IAS19.

	2021	2020
Assumptions and dates used at disclosure		
Discount rate	1.81%	1.23%
Retail price inflation	3.73%	3.18%
Consumer price inflation	3.13%	2.58%
Rate of salary increase	N/A	4.18%
Pension increases for in-payment benefits	2.16%-4.34%	1.95%-4.26%
Pension increases for deferred benefits	3.13%	2.58%
Plan Participant Census date	31-Mar-18	31-Mar-18

The assumptions used by the actuary are the best estimates chosen, in accordance with IAS 19, from a range of possible actuarial assumptions. These assumptions may not necessarily be borne out in practice.

Evonik UK Holdings Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19. Pensions fund (continued)

The mortality assumptions were as follows:

	2021	2020
	years	years
Longevity at age 65 for current pensioners:		
- Men	20.7 - 21.8	20.7 - 21.8
- Women	23.0 - 24.1	23.0 - 24.0
Longevity at age 65 for future pensioners:		
- Men	21.6 - 22.7	21.6 - 22.8
- Women	24.2 - 25.2	24.1 - 25.2

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. Following the buy-in at the end of 2020, the change in the defined benefit obligation for LGPT will be matched by an equivalent change in the buy-in asset. Therefore the net balance sheet position is largely immunised against changes in assumptions.

The following table summarises the impact of an increase in the respective assumptions by 1%.

	2021		
Change in:	Defined benefit obligation	Plan assets	Net balance sheet
Discount rate	-12%	-12%	0%
Price inflation	7%	7%	0%
Consumer price inflation	2%	2%	0%
Rate of salary increase	N/A	N/A	N/A
Pension increases for in-payment benefits	10%	10%	0%

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 £33829 (2020: £10,684). Outstanding contributions at the balance sheet date amounted to £Nil (2020: £Nil).

20. Called up share capital

	2021	2020
	£	£
Allotted and fully paid		
1,000 ordinary shares of £1 each (2020: 1,000 ordinary shares of £1 each)	<u>1,000</u>	<u>1,000</u>

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

21. Ultimate holding company and controlling party

The Company's immediate holding company is Evonik International Holding B.V., a company registered and incorporated in the Netherlands.

The ultimate parent company and controlling party 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.