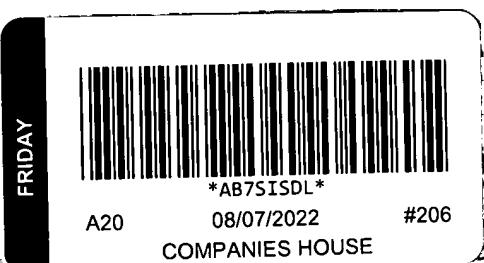


INGEVITY UK LTD

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

Company Registered Number: 02715398



INGEVITY UK LTD

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INGEVITY UK LTD

DIRECTORS AND ADVISERS

Directors

P Shelley
B Wheeler

Bankers

HSBC UK Bank plc
60 Queen Victoria Street
London
EC4N 4TR

Independent Auditors

RSM UK Audit LLP
Chartered Accountants
20 Chapel Street
Liverpool
L3 9AG

Registered Office

Ingevity UK Ltd.
Baronet Road
Warrington
WA4 6HA

INGEVITY UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Strategic Report for the year ended 31 December 2021

Business review

Ingevity UK Ltd is the world-leader in the caprolactone production, polycaprolactones and thermoplastic caprolactones, the latter being produced in many different varieties. Caprolactones in different forms are present in applications such as adhesives, paints and lacquers as well as polyurethane elastomers such as shoe soles and vehicle components.

Trading results and dividends

The operating profit for the year decreased to £13,745k (2020: operating profit £23,500k). The increase in cost of production and raw materials contributed to this reduction. This led to an operating profit of 10.8% (2020: 23.7%). The less favourable exchange rates in 2021 against current liabilities contributed to the increase in other operating expenses which were reported at £550k (2020: £203k).

The business remained resilient throughout 2021 despite the pressures of rising costs. Manufacturing activity continued with minimal disruption on site, during the continued COVID 19 pandemic. The company followed all government guidance changes to working practices through 2021. The company has sought no government assistance during 2021 and no employees were furloughed.

The balance sheet has net assets at 31 December 2021 of £86,344k (2020: £78,313k). The balance sheet position has strengthened due to further profitability and strong free cash flow that enabled the company to reduce its inter-company debt to £49,720k (2020: £60,104k).

The directors do not recommend payment of a dividend for the year (2020: £nil).

Key performance indicators

EBITDA (Earnings before the deduction of interest, tax, depreciation and amortisation) is the key performance indicator. The EBITDA margin is calculated as EBITDA, as a percentage of Sales.

Despite a challenging year the company was able to maintain an EBITDA of 18.43% through making capital investments, which has allowed for de-bottlenecking and an increase in throughput.

	Note 4	Income Statement	Note 6	Note 7	Note 8	Note 9 & 10		
	Sales Revenue £'000	Profit for the year £'000	Finance Income £'000	Finance Costs £'000	Current & Deferred Tax £'000	Depreciation & Amortisation £'000	EBITDA £'000	EBITDA %
2021	126,642	8,031	(143)	1,051	4,806	9,599	23,344	18.43%
2020	98,859	17,106	(137)	1,573	4,958	9,829	33,329	33.71%
2019	112,789	20,948	(3,017)	3,567	4,534	7,992	34,024	30.17%
2018	124,927	12,254	(402)	13,914	2,202	7,461	35,429	28.36%
2017	119,480	13,680	(4,485)	10,659	1,006	8,179	29,039	24.30%

There are no non-financial KPI's to disclose.

INGEVITY UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Principal risks and uncertainties

Access to raw materials: The company has several raw materials that are key in the production process. To safeguard supplies of raw materials the company has a purchasing policy that requires that supplies of critical raw materials are purchased from several suppliers where possible or that long-term agreements are entered into if this is not possible.

Production disruptions: Disruptions on the production plant may lead to a loss of earnings in the short-term if the company cannot deliver agreed volumes to customers and in the long-term if this leads to alternative products taking over for the same application. Regular technical risk inspections are performed in order to minimise these risks. Suitable insurance is in place in the event of disruptions.

Covid-19 impact: The impact of Covid-19 over the past year has been significant. We have had to adapt operations in order to conform with the new regulations which were brought in to minimise the risk of transmission of the disease on site. Whilst this has impacted how the operation run; the company have adapted to this new norm. Production has continued normally, and customer deliveries have been maintained throughout.

Future developments

Following the completion and commissioning of the new Capa Monomer reactor in 2020 an ambitious regime of further capital expenditure continues into the future, with plant bottlenecks addressed to increase capacity, a new research and development facility on site to ensure that the range of Capa derivatives continues to evolve in response to market requirements and investment in health, safety and environmental initiatives continues as part of our Purify, Protect and Enhance strategy.

Ingevity UK LTD S172(1) Statement on engagement with suppliers, customers and other stakeholders

This section acts as the company's Section 172(1) statement. In accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this section also constitutes the company's statement on engagement with and having due regard to the interest of our key stakeholders. The company's ultimate parent company is Ingevity Corporation. As Directors of Ingevity UK we believe that we have acted in the best way to promote the success of the company.

Stakeholders

Our key stakeholders are our employees, customers, suppliers and the community in which we operate. We are focused on responding to the needs of and building excellent relationships with all stakeholders.

Key Business Issues in 2021

The key issues affecting the Capa business in 2021 were:

1. Covid-19
2. Rising Energy Cost

1. Covid-19

The Covid-19 pandemic impacted our stakeholders in the following ways:

Customers: As countries rebounded customers purchasing requirement also changed. This created more uncertainty in production planning as order patterns changed through the year. The commercial and customer services teams both actively engaged with customers to ensure the business understood the impact on them and they could prepare for any future demand up-swing.

Suppliers: Additional consideration was made on how the pandemic could affect supply chains. The company worked closely with suppliers and hauliers on proactive measures to ensure raw material supplies were maintained.

Employees and contractors: The Company continued to work in line with Government guidelines. On site, working practices were all assessed, and the relevant adjustments and procedures put in place in line with the government rules to make it a Covid-19 secure site. This enabled full continuity of operations whilst also protecting the health of all personnel on site.

INGEVITY UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2. Rising Energy Cost

The energy cost crisis impacted our stakeholders in the following way:

Suppliers – Suppliers saw increases in costs which were not sustainable and so in order to reduce the burden on our suppliers we had to absorb some of their increase in costs through price increases to our raw material. Discussions remain ongoing as the market continues its volatility.

Customer – Likewise the company engaged with customers to agree to pass on some of these costs again through price increases, and discussions are ongoing as the market remains volatile

The Government – The company participated in discussions with the government on the impact of this on the Manufacturing Sector, to enable the government to decide if/when intervention is required.

Employee Engagement

Employee safety is an area of paramount importance to the company. A strong safety management programme drives proactive safety throughout the organisation. The key part of this is active participation and empowerment of employees and regular contractors. The overall success of this is measured through leading and lagging indicators. These are reviewed regularly, and corrective actions are taken whenever necessary.

The above programmes help produce positive employee engagement. This is monitored through regular reviews with line managers. It is complimented every other year through a company-wide employee survey which is carried out by an independent body. The feedback from the surveys is reviewed and the results acted on.

The company aims to operate in a collaborative way. Significant decisions which potentially affect employees are only made after appropriate consultation wherever possible.

Long-term sustainability

The long-term sustainability of the company is at the forefront of decision-making. The company has invested heavily in innovation to ensure that it can continue to react particularly in response to the recent challenging conditions

Community and environment

The Directors take all reasonable steps to minimise any detrimental impact the company's operations may have on the environment and local community.

Examples of this include the following:

- The voluntary limit on HGV traffic into and out of the site in silent hours.
- Monitoring noise at the site boundary on a regular basis and making improvements where necessary.
- Investing in new processes which improve the energy efficiency of operations to reduce our carbon footprint.
- Investing in improvements which reduce water usage.

The Ingevity group produces a sustainability report that is available to the public and may be obtained from the Group website, www.ingevity.com/about/sustainability

Business Conduct

The company aims to conduct all its business relationships with integrity and professionalism.

ON BEHALF OF THE BOARD



P Shelley

Managing Director

Date: 30th JUNE 2022

Company Registered Number: 2715398

INGEVITY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Principal activities

The principal activity of the company is the manufacture and selling of chemicals and polymers.

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis and under the historical cost convention.

Going concern

The company has sufficient financial resources including contracts with a number of customers and suppliers across different geographic areas and industries. Therefore, we believe that the company is well placed to manage its business risks successfully. The company invested £11,730k in new plant and equipment and repaid £10,000k of inter-company loans despite a reduction in profit to £8,031k (2020 £17,106k). All inter-company loans have been extended to 5-year maturity dates, with an option for early repayment. Considering all of this, we have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. We therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Energy usage and emissions (SECR)

Ingevity UK Limited greenhouse gas emissions, reportable under SECR were 323 tonnes CO₂e. These include the emissions associated with electricity, natural gas consumption and business travel in company and private vehicles by employees. Ingevity UK Limited's greenhouse gas emissions were 28% lower than in the previous year despite an increase in production tonnes due to an increase in efficiency. The intensity of 0.004 tonnes CO₂e per tonne of production is 48% lower than last year.

Greenhouse gas emissions

Figure 1 Greenhouse gas emissions by year (tonnes CO₂e)

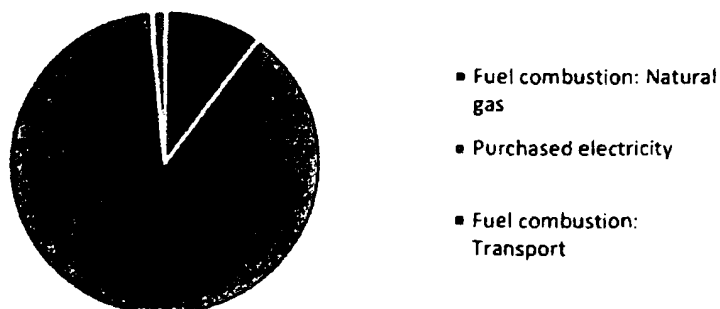
Emissions source	2020 (market-based)	2021 (market-based)	Share (%)	YoY Variance (%)
Fuel combustion: Natural gas	27	32	10%	20%
Purchased electricity	417	285	88%	-32%
Fuel combustion: Transport	4	5	2%	24%
Total emissions (tCO₂e)	448	323	100%	-28%
Production Tonnes	52,674	72,609		38%
Intensity: (tCO₂e per £m)	0.009	0.004		-48%

*The 2021 emissions figure for purchased electricity above (and used throughout) reflects our investment in a zero-carbon electricity tariff at all our sites from March 2020 onwards. This has therefore resulted in a reduction of tCO₂ electricity due to a full year on zero-carbon electricity tariff. In the terms of the Greenhouse Gas Protocol, this is called 'market-based' reporting - as opposed to 'location-based' reporting. Location-based reporting does not take into account the electricity supply contracts a company has and instead uses a national carbon emissions factor for electricity. Following the location-based methodology (which is required to be also reported under SECR alongside market-based figures), our 2021 emissions from electricity were 3,509 tCO₂e (including transmission and distribution losses), giving total emissions of 3,547 tCO₂e and an intensity of 0.05 tCO₂/tonnes of production.

INGEVITY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

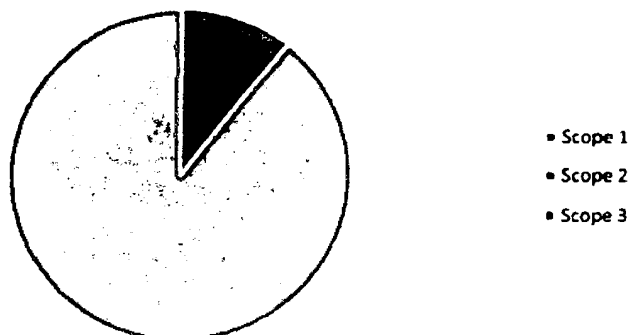
Greenhouse gas emissions (continued)



Emissions by source

Figure 2 Greenhouse gas emissions by scope (tonnes CO₂e)

Emissions source	2020 (location-based)	2021 (market-based)	Share (%)	YoY Variance (%)
Scope 1	31	34	11%	10%
Scope 2	0	0	0%	0%
Scope 3	417	289	89%	-31%
Total emissions (tCO₂e)	448	323	100%	-28%



Scope 1: Natural gas, site LPG and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation

INGEVITY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Energy consumption

Figure 3 Energy consumption by year (kWh)

Emissions source	2020	2021	Share (%)	YoY Variance (%)
Natural gas	148,600	177,347	1.2%	19%
Electricity	13,947,940	15,184,070	98.7%	9%
Transport fuel	18,068	19,279	0.1%	7%
Total consumption (kWh)	14,114,608	15,380,696	100%	9%

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary.

This approach captures emissions associated with the operation of all buildings such as warehouses, farms and manufacturing sites, plus company-owned and leased transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Residual factors (including transmission and distribution factors) have been used for market-based scope 2 reporting.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is January to December 2021, as per the financial accounts.

Energy efficiency initiatives

Energy Efficiency measures for 2021

- Increased monitoring and communication of energy usage across the site;
- Production de-bottlenecking and quality control initiatives in the Polymer plant has led to a 14% improvement in energy efficiency for this plant in 2021;
- Production de-bottlenecking in the Monomer plant has led to a 9% improvement in energy efficiency for this plant in 2021;
- Continued roll out of LED lighting across the site.

Risk management

The company's activities expose it to a number of risks that could impact strategy, compliance, operations, reputation and finance. Comprehensive policies are in place, which are regularly reviewed, to ensure such threats are minimised. Liquidity is maintained by ensuring that enough funds are available for ongoing operations and future developments.

The company's principal financial assets are trade and other receivables, with credit risk primarily attributable to its trade receivables. Where appropriate the company would make an impairment where there is an expected credit loss and reduce the net receivables in the balance sheet. The company has no significant concentration of credit risk with exposure spread over many counterparties and customers.

The currency risk is the risk that the company's earnings and net assets will be adversely affected by fluctuations in exchange rates. Loans are provided by Ingevity Corporation in foreign currencies to provide hedging and minimise currency losses.

INGEVITY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Dividends

No dividends were paid or recommended during the year (2020: nil).

Future developments

Refer to Strategic Report page 4.

Political donations

The company did not make any political donations during the financial year (2020: £nil).

Charitable donations

The company made charitable donations of £40k during the financial year (2020: £10k).

Directors

The following directors have held office during the period from 1 January 2021 to the date of signing this report:

P Shelley	
W Hamilton	(Resigned 7 January 2022)
B Wheeler	(Appointed 4 May 2022)

Qualifying third party and pension scheme indemnity provisions

At the time this report is approved, no qualifying third-party indemnity provisions or qualifying pension scheme indemnity provisions are in place for the benefit of one or more of the directors. At no time during the year were any such provisions in force for the benefit of one or more persons who were then directors.

The environment

The company works proactively to develop and improve its products and processes and has targets for safety, health and the environment. Environmental targets focus on use of energy and water.

The production of the company affects the environment through emissions in air and water and through the generation of waste and noise. The company follows national and local requirements relating to the environment. The company also ensures that it complies with the REACH registration requirements for the chemical industry.

The Ingevity group produces a sustainability report that is available to the public and may be obtained from the Group website, www.ingevity.com/about/sustainability

Stakeholder engagement

As defined in the Strategic Report on page 4.

Research and development

The company continues to invest in R&D to gain competitive advantage.

Strategic report

Certain information required to be included in the directors' report which is considered to be of strategic importance has instead been included in the strategic report. All information presented in this section is deemed to form part of this report.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

INGEVITY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'P. Shelley', followed by a long, horizontal, wavy line that extends to the right.

P Shelley

Managing Director

Date: 30th JUNE 2022

Company Registered Number: 2715398

INGEVITY UK LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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. The directors have elected under company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that referenced in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INGEVITY UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGEVITY UK LTD

Opinion

We have audited the financial statements of Ingevity UK Limited (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cashflow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INGEVITY UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGEVITY UK LTD (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 11), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

INGEVITY UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGEVITY UK LTD (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS/UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures

to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and obtaining advice from independent tax experts.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and environmental and radiation regulations. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence with regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to:

- Testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgements and estimates used by management.
- Testing revenue through a reconciliation of cash receipts in the period, performing substantive testing on transactions around the year end to ensure revenue was recorded in the correct period and performing substantive testing on dispatches in the year to ensure revenue is complete.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ian Taylor

Ian Taylor (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
20 Chapel Street
Liverpool
L3 9AG

Date: 6 July 2022

INGEVITY UK LTD

**Income statement
for the year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
Revenue	4	126,642	98,859
Cost of sales		(97,805)	(61,566)
Gross profit		28,837	37,293
Distribution costs		(4,542)	(2,663)
Administration expenses		(10,550)	(11,130)
Operating profit		13,745	23,500
Finance income	6	143	137
Finance costs	7	(1,051)	(1,573)
Profit before tax	5	12,837	22,064
Income tax charge	8	(4,806)	(4,958)
Profit for the year		8,031	17,106

The notes on pages 19 to 37 are an integral part of these financial statements.

The company incurred no other comprehensive income in either year and therefore no separate Statement of Comprehensive Income has been presented.

INGEVITY UK LTD

Balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Tangible assets			
Property, plant, and equipment	9	63,399	58,772
Right-of-use assets	9	999	1,095
Total Tangible assets		64,398	59,867
Intangible assets			
Goodwill	10	26,186	26,186
Intangible assets	10	26,277	29,904
Total Intangible assets		52,463	56,090
Current assets			
Inventories	12	21,061	10,783
Trade and other receivables	13	19,418	17,982
Corporation tax recoverable	13	520	924
Cash and cash equivalents	23	7,613	15,315
Total current assets		48,612	45,004
Liabilities			
Current liabilities			
Trade and other payables	14	(19,113)	(14,144)
Taxation and social security	14	(273)	(220)
Lease liabilities	15	(120)	(114)
Borrowings	16	(2)	(50,242)
Total current liabilities		(19,508)	(64,720)
Net current assets/(liabilities)		29,104	(19,716)
Non-current liabilities			
Lease liabilities	15	(934)	(1,015)
Deferred income tax liabilities	11	(8,969)	(7,051)
Borrowings	16	(49,718)	(9,862)
Total non-current liabilities		(59,621)	(17,928)
Net assets		86,344	78,313
Equity			
Share Capital	17	29,702	29,702
Retained Earnings		56,642	48,611
Total equity		86,344	78,313

The notes on page 19 to 37 are an integral part of these financial statements.

The financial statements on pages 15 to 37 were authorised for issue by the board of directors on 30th June 2022 and were signed on its behalf.

P Shelley
Managing Director, Ingevity UK Ltd.
Company Registered Number: 2715398

INGEVITY UK LTD

Statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	29,702	31,505	61,207
Profit for the financial year, being total comprehensive income	-	17,106	17,106
At 31 December 2020	29,702	48,611	78,313
At 1 January 2021	29,702	48,611	78,313
Profit for the financial year, being total comprehensive income	-	8,031	8,031
At 31 December 2021	29,702	56,642	86,344

INGEVITY UK LTD

Cash flow statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	22	16,449	35,641
Interest paid		(1,062)	(1,295)
Income tax paid		(2,281)	(3,219)
Net cash generated from operating activities		13,106	31,127
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(11,683)	(4,944)
Proceeds on sale of property, plant and equipment		1,228	-
Interest received		-	1
Net cash (used in) investing activities		(10,455)	(4,943)
Cash flows from financing activities			
Repayments of loan borrowings - Ingevity		(10,000)	(22,700)
Payment of capital element of leases		(180)	(179)
Net cash (used in) financing activities		(10,180)	(22,879)
Net (Decrease)/Increase in cash and cash equivalents		(7,529)	3,305
Cash and cash equivalents at beginning of the year		15,315	12,046
Exchange (losses) on cash and cash equivalents		(172)	(36)
Cash and cash equivalents at end of the year	23	7,614	15,315

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS

Ingevity UK Ltd is a private limited company incorporated and domiciled in the United Kingdom and is registered in England and Wales. The company is limited by shares. The company's registered address is Ingevity UK Ltd, Baronet Road, Warrington, WA4 6HA, UK.

1 Statement of Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards.

The company has sufficient financial resources including contracts with a number of customers and suppliers across different geographic areas and industries. Therefore, we believe that the company is well placed to manage its business risks successfully. The company continues to demonstrate strong free cash flow and the forecast used for the trading period ended 31st December 2022 is considered conservative. This prudent approach is one favoured by the directors and is consistent with our 5-year forecast modelling assumptions. Considering all of this, after reviewing the company's forecasts and projections and receiving an extension of 5 years on all inter-company loans from the parent company, we have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. We therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Segment reporting

The company's operations are fully integrated. All products are sold to customers at a level far removed from the end user via automakers, coatings producers and so forth. The same product can often be used for a wide spectrum of different applications.

The chief operating decision maker, defined as the directors, make decisions based on the underlying management data, which is the data presented in the financial statements. The directors consider the operations of the entity to represent one trading segment and therefore a segmental analysis has not been disclosed.

1.4 Intangible assets

Goodwill comprises the amount by which the acquisition value exceeds the fair value at the date of acquisition of the identifiable net assets acquired. Goodwill is reported as an intangible asset. Goodwill is not amortised but tested annually for impairment, or when there is a triggering event.

The CAPA Developed Technology and Trade Names were acquired in 2019 from Perstorp AB and were recognised at cost.

Other intangible assets were recognised at fair value as part of the acquisition by the company of the Caprolactones business from Solvay in January 2008.

Intangible assets (excluding goodwill) are reported at their acquisition value/purchase cost less accumulated amortisation. The acquisition value/purchase cost is linearly amortised in order to divide the cost over the life span of the intangible asset which have been determined to be:

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Registration	20 years
CAPA Developed Technology	10 years
Trade Names	10 years
Software licences	7 years
Customer relationships	9-11 years

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.4 Intangible assets (continued)

Assets with an indeterminate useful life, such as goodwill, are not depreciated or amortised but are subject to annual testing of impairment requirements. Assets with a determined useful life are assessed for a reduction in value whenever events or changes in conditions indicate that the book value may not be recoverable. Impairment is recognised in the amount by which the asset's book value exceeds its recoverable value and it will be immediately reported as an expense. Impairment is never reversed for goodwill.

1.5 Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation. The cost includes expenses that are directly attributable to the acquisition of the asset. Additional costs are added to the asset's reported value or are reported as a separate asset, depending upon which is appropriate, but only if it is probable that the future economic benefits associated with the asset accrue to the company and the cost can be measured reliably. All other forms of expenses for repair and maintenance are reported as costs in the income statement during the period they arise.

Straight line depreciation is applied based on the asset's acquisition value and estimated useful life. The following depreciation periods are used:

Land is not depreciated	
Buildings	10-25 years
Plant and equipment	1-20 years
Right-of-use assets	2.5 - 15 years

Assets under construction are not depreciated until they are brought into use.

The residual value and useful life of assets are reviewed and adjusted if appropriate at each balance sheet date. Assets are impairment tested when external or internal circumstances dictate such impairment testing and are adjusted as necessary. An asset's book value is immediately impaired to its recoverable amount if the asset's book value exceeds its estimated recoverable amount.

Gains and losses on divestment are determined by comparing the sales proceeds and the book value and are reported in the income statement under the headings of other operating income or other operating expenses.

1.6 Inventories

Raw materials, supplies and goods purchased for resale are valued at standard cost with the purchase price variance being recognised in the income statement. Finished goods are valued at the standard cost of production with any manufacturing variances being recognised in the income statement. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation and write-downs of assets used for production. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to production. Administrative costs are included where they are attributable to production. Inventories are valued using the standard cost method. Costs and overheads allocated are based on normal operating activity.

If the purchase or production cost is higher than the net realisable value, inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.7 Income Tax

Reported taxes in the income statement include current tax, adjustment of prior year current tax and changes in deferred tax. The calculation of tax and the assessment of all current and deferred tax liabilities and receivables are made in accordance with the UK tax regulations and tax rates that have been decided or that with a great deal of certainty will be determined and apply when the tax is to be paid.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax assets are only reported when it is probable that future taxable profit will be available against which the temporary differences can be utilised.

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.8 Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sterling (£'000s) which is the company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences are recognised in profit or loss.

1.9 Revenue recognition

Revenue from the sales of goods is reported in accordance with sales terms and thereby in the period when all significant risks and benefits attributable to the goods are transferred to the purchaser in accordance with the sales agreement. There are no customers with significant payment terms.

Reported revenue is the fair value of what has been received or will be received for sold goods and services within the company's business with deductions for VAT, discounts and returns. Revenue is recognised when the risks and rewards pass to the customer in accordance with the agreed sales terms. For the majority of sales, the transfer of risks and rewards occurs when goods reach the nearest shipping port to the company. Revenue recognition is at a point in time versus over time.

1.10 Pension costs

The company has defined-contribution pension plans. The characteristic of a defined-contribution pension plan is that the company pays a fixed contribution to a separate legal entity. After the premium is paid the company has no other legal or informal obligations to pay additional amounts. Therefore, there are no provisions or contingent liabilities in the balance sheet for the pension plans.

1.11 Remuneration for redundancy

Remuneration is paid for redundancy when an employee's employment is terminated before normal retirement or when the employee accepts voluntary redundancy.

1.12 Trade and other receivables

Under IFRS 9, the company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement. When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

1.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Borrowings

Borrowings are recognised initially at fair value, net of transactions costs, and subsequently at amortised cost using the effective interest method. Borrowing expenses are reported in the income statement based upon the period to which they relate, including borrowing costs. Borrowings are classified as interest-bearing long-term or short-term liabilities in the balance sheets depending upon the due date. Borrowing costs are not capitalised.

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.15 Share capital

Ordinary share capital is treated as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

1.16 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and other short-term investments maturing within three months and that can easily be converted into cash.

1.17 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. The company did not reassess whether a contract is, or contains, a lease at the date of initial application of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are presented as a separate line on the face of the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.18 Finance Income

The company includes finance income that arises from Treasury activity outside operating profit.

1.19 Finance Costs

Finance costs include interest incurred on current liabilities, lease liabilities, loans from related parties, bank charges and also includes losses on translation of foreign currency bank accounts to the extent that they are regarded as an adjustment to interest costs.

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Significant estimates and judgements made for accounting purposes

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.4. The recoverable amounts of cash-generating units (CGUs) have been determined based on fair value less costs to sell. These calculations are based on an EBITDA multiples method which requires the use of estimates such as growth forecasted in revenue and projected EBITDA margins. The following assumptions are key to this approach: 1) annual revenue growth rates of 8.4% on average; and 2) average annual EBITDA margins of 32.5%. The sensitivity analysis performed over the calculated fair value less costs to sell did not produce an impairment requirement. The sensitivities included would result in no reasonable change in the key assumptions that would result in a material impact on the carrying value.

3 Risk Management

3.1 Financial Risk

The company faces a number of financial risk factors, currency risk, financing risk, liquidity risk, interest rate risk and counter-party risk. The financial risks for the company are managed within a group-wide financial risk framework.

Analysis of trade receivables and receivables from related parties	2021 £'000	2020 £'000
Not due receivables	11,866	10,389
Due receivables:		
1-10 days	1,504	1,986
11-30 days	947	1,938
31-60 days	265	1,259
61-90 days	(57)	486
> 91 days	8	481
Total trade receivables	14,533	16,539

3.1.1 Currency risk

The currency risk is the risk that the company's earnings and net assets will be adversely affected by fluctuations in exchange rates. Currency risk is managed by Ingevity Corporation. The sensitivity of the company's operations to the significant currencies which impact its operations is set out below.

Sensitivity of 2022 forecast operating profit to 1% increase in the strength of Sterling:	2022 Loss of Operating profit £'000
USD cash flows	(685)
EUR cash flows	42
YEN cash flows	(47)

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Risk Management (continued)

Sensitivity of 2022 forecast operating profit to 1% decrease in the strength of Sterling:	2022 Gain to Operating profit £'000
USD cash flows	692
EUR cash flows	(42)
YEN cash flows	48

3.1.2 Financing risk

Loans are provided by Ingevity Corporation on a short-term and long-term basis to allow the company to make repayments using surplus cash in hand. The principal loan is in GBP with smaller loans being in foreign currencies to provide hedging and minimise currency losses.

3.1.3 Liquidity risk

Liquidity risk is managed by Ingevity Corporation to ensure that the company has sufficient liquid funds as part of the group's agreed credit facilities. Both company and group management closely monitor liquidity forecasts. The table below analyses the financial instruments of the company by the time remaining from the balance sheet date up to the agreed due date: The company has the option to renew loans upon expiry date.

3.1.4 Fair values of financial liabilities

As at the year end, the company has four loans from Ingevity Corporation. Loans are denominated in GBP, EUR, JPY & USD. The borrowings from related parties denominated in EUR, JPY, and USD are repayable on 25 November 2025. The borrowings from related parties denominated in GBP were on a one month rolling facility basis. However, in March 2021 the loan was converted to a 5 year loan which matures on 31 March 2026.

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value and there are no significant differences between the book value and fair value of non-current borrowings.

The table below analyses the maturity profile of the group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date.

Short-term payables, including trade payables and accruals, are excluded from the analysis as they are considered to form part of the company's day-to-day operating cycle. The amounts disclosed in the table below are the contractual undiscounted cash flows including an estimation of the future interest cost.

Maturity analysis for financial instruments: 2021	0-1 yrs £'000	1-2 yrs £'000	2-5yrs £'000
Borrowings from related parties	-	-	49,718
Trade payables	13,744	-	-

Maturity analysis for financial instruments: 2020	0-1 yrs £'000	1-2 yrs £'000	2-5yrs £'000
Borrowings from related parties	50,000	-	9,862
Trade payables	10,013	-	-

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Risk Management (continued)

3.1.4 Interest rate risk

The interest rate risk is the risk that an increase in market interest rates will have an adverse impact on earnings. The table below shows the sensitivity of earnings to an increase in the interest rate:

Sensitivity to 1% increase in the interest rate	2021 Additional Interest cost £'000	2020 Additional Interest cost £'000
Interest payable on loans denominated in USD	73	72
Interest payable on loans denominated in EUR	8	9
Interest payable on loans denominated in GBP	400	500
Interest payable on loans denominated in JPY	16	18

3.1.5 Counterparty risk

Counterparty risk relates to the credit risk that might arise when a counterparty cannot fulfil its commitments and thus causes a financial loss to the company. The company has a set credit control policy, the main purpose of which is to prevent credit risks and minimise bad debt losses. The credit policy sets a framework for how to approve credit, who has responsibility and how deliveries may be approved in the event of a limit being exceeded or of a customer having credit that falls due for payment. Internal guidelines also include procedures for monitoring outstanding receivables before and after the maturity date depending upon materiality and the individual customer's risk profile.

3.2 Operational risk

3.2.1 Access to raw materials

To secure delivery of raw materials and spread the risks the company operates a purchasing policy which requires that procurement of the most critical raw materials is made from several suppliers where possible. Procurement is secured through long-term delivery agreements. The company operates in the global chemicals market with suppliers who meet the highest environmental and safety requirements, but as far as possible the company aims to minimise transport by buying in local markets.

3.2.2 Production disruptions

Disruptions in the company's plants can result in a loss of income, in the short term because the company cannot deliver expected volumes to customers and in the long term because it may lead to alternative products being used for the same application. Regular technical inspections are made of equipment to reduce the risk of a disruption and regular maintenance programmes are performed to reduce the risk of equipment deteriorating beyond use. Through the group function the company ensures that it has comprehensive insurance coverage in case of an unforeseen event.

3.3 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

	2021 £'000	2020 £'000
Sales by geographical area:		
UK	9,306	5,796
Rest of Europe	44,891	33,939
Rest of World	72,445	59,124
Total revenue	126,642	98,859

5 Profit before tax

	2021 £'000	2020 £'000
Profit before income tax is stated after charging/ (crediting):		
Depreciation of owned property plant and equipment (note 9)	5,829	6,096
Depreciation of right of use assets (note 9)	143	144
Staff costs (note 18)	8,700	7,444
Amortisation of intangible assets (included within administration costs, note 10)	3,627	3,589
Inventory recognised as an expense	82,170	63,469
Impairment of inventories	187	(60)
Foreign exchange losses on operational transactions	550	203
Auditors' remuneration for audit services	48	45
Auditor' remuneration for other non-audit related services	5	5

6 Finance income

	2021 £'000	2020 £'000
Gains on translation of foreign currency denominated loans	143	136
Bank interest receivable	-	1
	143	137

7 Finance costs

	2021 £'000	2020 £'000
Interest expense on current liabilities	(1)	-
Interest expense on lease liabilities	(57)	(66)
Interest on loans from related parties	(718)	(1,408)
Losses on translation of foreign currency bank accounts	(172)	(36)
Bank charges	(103)	(63)
	(1,051)	(1,573)

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Income tax charge

Analysis of charge for the year	2021 £'000	2020 £'000
Current tax		
Corporation tax charge	1,382	2,227
Adjustments in respect of prior periods	1,506	-
Current Tax	2,888	2,227
Deferred income tax (note 11)		
Current year	1,196	2,731
Adjustments in respect of prior periods	(1,451)	-
Change in corporation tax rate applicable to deferred tax	2,173	-
Deferred Tax	1,918	2,731
Income tax charge	4,806	4,958

The tax assessed for the year remains lower than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before income tax	12,837	22,064
Profit on ordinary activities before income tax multiplied by the standard rate of corporation tax in the UK of 19.00%	2,439	4,192
Effects of:		
Non-deductible expenses	115	105
RDEC – tax claim	24	14
Impact of change in rate of deferred tax	2,173	508
Fixed asset – ineligible cost difference	-	139
Adjustments in respect of prior periods	55	-
Tax charge	4,806	4,958

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 31 December 2021.

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Land	Buildings	Plant and equipment	Right of use assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	1,187	10,255	82,666	1,350	19,102	114,560
Additions	-	-	454	26	4,665	5,145
Disposals	-	-	(3,494)	(18)	-	(3,512)
Reclassifications	-	7,818	-	-	(7,827)	(9)
At 31 December 2020	1,187	18,073	79,626	1,358	15,940	116,184
Additions	11	-	2,298	47	9,374	11,730
Disposals	(1,187)	-	(865)	-	-	(2,052)
Reclassifications	-	3,558	16,122	-	(19,680)	-
At 31 December 2021	11	21,631	97,181	1,405	5,634	125,862
Accumulated depreciation						
At 1 January 2020	-	(5,267)	(48,217)	(137)	-	(53,621)
Charge for the year	-	(480)	(5,616)	(144)	-	(6,240)
Disposals	-	-	3,494	18	-	3,512
Reclassifications	-	-	32	-	-	32
At 31 December 2020	-	(5,747)	(50,307)	(263)	-	(56,317)
Charge for the year	-	(651)	(5,178)	(143)	-	(5,972)
Disposals	-	-	825	-	-	825
At 31 December 2021	-	(6,398)	(54,660)	(406)	-	(61,464)
Net book value						
At 31 December 2020	1,187	12,326	29,319	1,095	15,940	59,867
At 31 December 2021	11	15,233	42,251	999	5,634	64,398

Depreciation has been charged in the income statement as follows:

	2021 £'000	2020 £'000
Cost of sales	5,861	5,848
Administration expenses	31	392

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Intangible assets

	Goodwill £'000	Customer relationships £'000	REACH costs £'000	Developed Technology £'000	Trade Names £'000	Software & Licenses £'000	Total £'000
Cost							
At 1 January 2020	26,186	25,551	933	21,894	13,102	710	88,376
Reclassification /Interco transfer	-	-	-	-	-	9	9
At 31 December 2020	26,186	25,551	933	21,894	13,102	719	88,385
At 31 December 2021	26,186	25,551	933	21,894	13,102	719	88,385
Accumulated amortisation							
At 1 January 2020	-	(25,551)	(206)	(1,825)	(1,092)	-	(28,674)
Charge for the year	-	-	(47)	(2,189)	(1,310)	(43)	(3,589)
Reclassification /Interco transfer	-	-	-	-	-	(32)	(32)
At 31 December 2020	-	(25,551)	(253)	(4,014)	(2,402)	(75)	(32,295)
Charge for the year	-	-	(46)	(2,189)	(1,310)	(82)	(3,627)
At 31 December 2021	-	(25,551)	(299)	(6,203)	(3,712)	(157)	(35,922)
Net book value							
At 31 December 2020	26,186	-	680	17,880	10,700	644	56,090
At 31 December 2021	26,186	-	634	15,691	9,390	562	52,463

The cost of amortisation of intangible assets for the year of £3,627k (2020: £3,589k) has been included within administration expenses in the income statement.

The acquired intangible assets include the Capa Tradename for £13,102k and Capa technology intellectual property referred to as Developed Technology for £21,894k. Both of these acquired intangible assets are being amortised over a 10-year useful life on a straight-line basis. Both the tradename as well as the developed technology intangible assets are valued utilising the relief from royalty ("RfR") method. Significant assumptions utilised in the RfR valuation method include revenue terminal growth rates, royalty rates and the discount rate. The below charts include each of these rates for both acquired intangible assets:

	Developed Technology	Tradename
Revenue Terminal Growth Rate	2.0%	2.0%
Pre-tax Discount Rate	13.8%	13.8%
Royalty Rate	5.0%	3.0%

During the year the company has no capitalised costs directly related to the REACH registration of the company's products (2020: £Nil). REACH stands for Registration Evaluation Authorization and Restriction of Chemicals. All substances that are used within the EU must be registered and evaluated from toxicological and eco-toxicological standpoints. The costs are being amortised over a 20-year period which has been decided taking into account the technological and commercial life cycles of the chemical substance and the related products of the company.

Management considers that the company as a whole should be regarded as a cash-generating unit as it has only one manufacturing site and produces only one category of product, caprolactones. This is consistent with the group financial statements which view caprolactones as one cash-generating unit.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Intangible assets (continued)

The recoverable amount for the cash-generating unit has been established on the basis of a calculation of fair value less costs to sell. Fair value less costs to sell has been categorised using level 3 inputs and determined using an EBITDA multiples method based on the 2021 EBITDA and the forecast EBITDA for a further 5 year period. The key assumptions used in this forecast have not changed from the previous year and are:

- An average revenue growth rate of 8.4% per annum; and
- An average EBITDA margin of 32.5% each year.

The valuation technique has not changed from the previous year.

11 Deferred income tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property plant and equipment	-	-	(7,452)	(4,464)
Intangibles	-	-	(3,655)	(2,587)
Losses	2,138	-	-	-
	2,138	-	(11,107)	(7,051)

Movement in deferred tax during the year

	1 January 2021 £'000	Recognised in income £'000	31 December 2021 £'000
Property plant and equipment	(4,464)	(2,988)	(7,452)
Intangibles	(2,587)	(1,068)	(3,655)
Losses	-	2,138	2,138
	(7,051)	(1,918)	(8,969)

Movement in deferred tax during the previous year

	1 January 2020 £'000	Recognised in income £'000	31 December 2020 £'000
Property plant and equipment	(3,624)	(840)	(4,464)
Intangibles	(2,137)	(450)	(2,587)
Losses	1,441	(1,441)	-
	(4,320)	(2,731)	(7,051)

12 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	9,165	7,185
Finished goods and goods for resale	12,716	4,231
Less: provision for impairment of inventories	(820)	(633)
At 31 December	21,061	10,783

The amount of inventories included in cost of sales amounted to £82,170k (2020: £63,469k). The provision for impairment of inventories is £820k (2020: £633k).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	11,705	12,001
Prepayments	367	345
Corporation tax recoverable	520	924
Receivables from related parties	2,828	4,538
VAT	4,518	1,098
At 31 December	19,938	18,906

The receivables from related parties are unsecured, interest free and are repayable on demand.

Analysis of trade receivables and receivables from related parties	2021 £'000	2020 £'000
Not due receivables	11,866	10,389
Due receivables:		
1-10 days	1,504	1,986
11-30 days	947	1,938
31-60 days	265	1,259
61-90 days	(57)	486
91 days >	8	481
Total trade receivables	14,533	16,539

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security.

The fair values of trade and other receivables do not differ from the values shown above. The current year expected credit loss under IFRS 9 is £nil (2020: £54k).

Movements in the allowance for expected credit losses

	2021 £'000	2020 £'000
Opening balance	54	45
Additional provisions recognised	-	9
Unused amounts reversed	(54)	-
Closing balance	-	54

14 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	13,744	10,013
Amounts due to related parties	248	1,375
Other tax and social security	273	220
Accrued expenses	5,121	2,756
Balance at 31 December	19,386	14,364

The fair values of trade and other payables are approximately equal to the carrying values.

The amounts due to related parties are unsecured, interest free and are payable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Leases

The movement in right-of-use assets for the year ended 31 December 2021 were as follows:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total right of use asset £'000
Net book value at 1 January 2021	1,030	65	1,095
Additions	-	47	47
Disposals	-	-	-
Depreciation charge for the year	(98)	(45)	(143)
Accumulated depreciation eliminated on disposals	-	-	-
Net book value at 31 December 2021	932	67	999

The company's land and building leases include leases for the manufacturing facility, and these leases have a weighted average remaining lease term at 31 December 2021 of 17.2 years (2020: 14.7 years).

The company's vehicles, plant and equipment leases include leases for fleet vehicles, forklifts and company cars, and these leases have a weighted average remaining lease term at 31 December 2021 of 1.5 years (2020: 2.2 years).

The maturity of lease liabilities at 31 December 2021 was as follows:

	2021 £'000	2020 £'000
Due in one year	171	175
Due in two to five years	575	572
Due in over five years	778	913
Total undiscounted lease payments	1,524	1,660
Effect of discounting	(470)	(531)
Lease liabilities	1,054	1,129
Current lease liabilities	120	114
Non-current lease liabilities	934	1,015
Lease liabilities	1,054	1,129

At 31 December 2021, the company was committed to no future undiscounted lease payments related to short-term leases.

Amounts charged to the income statement during the year were as follows:

	2021 £'000	2020 £'000
Depreciation of right of use assets	143	144
Charged to other operating expense	143	144
Interest expense on lease liabilities:		
Charged to finance costs	57	66
Total amount charged to income statement	200	210

The company has right to the options to extend or terminate lease payments if necessary.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Borrowings

	2021 £'000	2020 £'000
Current borrowings		
Borrowings from related parties	-	50,000
Accrued interest due to related parties	2	242
Total current borrowings	2	50,242
Non-current borrowings		
Borrowings from related parties	49,718	9,862
Balance as at 31 December	49,718	60,104
Total borrowings	49,720	60,104

The total assets of the company have been pledged as security for the loans in addition to other pledged assets within the group. The loans were previously on a one month rolling facility basis, however, in November 2020 the EUR, JPY, and USD loans were converted to 5 year loans, as was the GBP loan in March 2021 (note 3). Repayments of principal of £10,000k were made during the year on the GBP loan.

	Amount in currency '000s	Sterling equivalent £'000	Effective interest rate (%)	Date repayable
Borrowings from ultimate parent company:				
Loans denominated in GBP	40,000	40,000	1.44%	March 2026
Loans denominated in EUR	976	820	0.77%	November 2025
Loans denominated in JPY	248,741	1,597	1.23%	November 2025
Loans denominated in USD	9,881	7,301	1.46%	November 2025
	299,598	49,718		

The loans of the company are arranged within the group facility on market terms.

17 Share Capital

	2021		2020	
	Number '000	£'000	Number '000	£'000
Authorised:				
Ordinary shares of £1 each	10	10	10	10
Ordinary A shares of €1 each	40,000	29,692	40,000	29,692
	40,010	29,702	40,010	29,702
Allotted, called up and fully paid:				
Ordinary shares of £1 each	10	10	10	10
Ordinary A shares of €1 each	40,000	29,692	40,000	29,692
	40,010	29,702	40,010	29,702

The ordinary A €1 shares have the same rights and are subject to the same restrictions as the ordinary £1 shares and they rank pari passu in all respects.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Staff and key management compensation and directors' remuneration

	2021 £'000	2020 £'000
Staff costs (including directors' remuneration) for the company during the year were as follows:		
Wages and salaries	6,662	5,727
Social security costs	823	659
Other pension costs (note 19)	1,215	1,058
	8,700	7,444

	2021 Number	2020 number
Average monthly number of people (including executive directors) employed by the company during the year:		
Administration (SG&A)	28	24
Cost of sales	106	92
	134	116

Key management compensation

Key management includes directors (executive and non-executive). The compensation paid (or payable) for employee services is shown below:

	2021 £'000	2020 £'000
Short-term employee benefits	161	186
Post-employment benefits	28	27
Social security costs	21	24
	210	237

Directors' remuneration

	2021 £'000	2020 £'000
Short-term employee benefits	161	186
Post-employment benefits	28	27
	189	213

One director is remunerated by the Company and his remuneration is disclosed in the table above. The remaining director does not receive any remuneration for his position as director of the Company and is instead remunerated by Ingevity Corporation in the US in relation to his role as Treasurer and Vice President of the International Finance and Risk Management function.

Retirement benefits are accruing under the money purchase pension scheme in respect of qualifying services for one director.

The remuneration paid (or payable) for employee services to the highest paid director is shown below:

	2021 £'000	2020 £'000
Short-term employee benefits	161	186
Post-employment benefits	28	27
	189	213

INGEVITY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Pension commitments

The pension cost is allocated within the income statement as follows:

	2021 £'000	2020 £'000
Cost of sales	947	829
Administration costs	268	229
	1,215	1,058

20 Related party transactions

The company became a wholly owned subsidiary of Ingevity Corporation, a public company listed on the NYSE (NGVT), on 13th February 2019.

Remuneration to the company's board of directors is reported in note 18.

The company utilises a network of foreign affiliates to provide sales support services such as the demonstration and promotion of Ingevity UK manufactured products. Related party payments for the provision of such sales support services are made on a cost-plus basis for the sales. The company separately engages distribution affiliates for the purchase and resale of Ingevity UK made products. Goods are sold to related parties at arm's length on terms that would be available to third parties.

Management, technical, administration, and other indirect overhead services were purchased from Ingevity Corporation in 2020 and 2021.

The following balances were held with related parties at the end of the year:

	2021 £'000	2020 £'000
Receivables from related parties:		
Fellow subsidiary company	1,043	1,634
Ultimate parent company	1,785	2,904
	2,828	4,538
Payables to related parties:		
Fellow subsidiary company	103	306
Ultimate parent company	145	1,069
	248	1,375

In addition to the above balances, there are borrowings from related parties which are disclosed in note 16.

The following transactions were carried out with related parties during the year:

	2021 £'000	2020 £'000
Sales of goods:		
Ingevity - Fellow subsidiary company	5,830	4,880
Ingevity - Ultimate parent company	27,249	27,410
	33,079	32,290

	2021 £'000	2020 £'000
Purchase of services:		
Ingevity - Fellow subsidiary company	868	1,574
Ingevity - Ultimate parent company	2,305	4,053
	3,173	5,627
Interest payable:		
Ingevity - Ultimate parent company	718	1,048
	718	1,048

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Ultimate parent company

Ingevity UK Ltd is a wholly owned subsidiary of USA based Ingevity Corporation, a listed company on the New York Stock Exchange. The smallest and largest group to consolidate these financial statements is Ingevity Corporation.

The consolidated financial statements of the group are available to the public and may be obtained from Ingevity Corporation group 4920 O'Hear Avenue, Suite 400, North Charleston SC 29405 or on the website at www.ingevity.com.

22 Cash generated from operations

	2021 £'000	2020 £'000
Profit before tax	12,837	22,064
Adjustments for:		
Depreciation of property, plant and equipment	5,972	6,240
Amortisation of intangible assets	3,627	3,589
(Increase)/Decrease in inventories	(10,278)	6
(Increase) in trade and other receivables	(1,032)	(4,224)
Increase in trade and other payables	5,022	5,683
R&D tax credit adjustment	(204)	-
Income tax payable not due	(403)	847
Finance income	(143)	(137)
Finance costs	1,051	1,573
Cash generated from operations	16,449	35,641

23 Cash and cash equivalents

	2021 £'000	2020 £'000
Total cash and cash equivalents		
Deposit accounts	7,613	15,315
Balance as at 31 December	7,613	15,315

24 Changes in liabilities arising from financing activities

	Borrowings £'000	Lease liabilities £'000	Total £'000
Balance at 1 January 2020	82,730	1,221	83,951
Net cash from/ (used in) financing activities	(22,626)	(179)	(22,805)
Non-cash movements	-	87	87
Balance at 31 December 2020	60,104	1,129	61,233
Net cash from/ (used in) financing activities	(10,384)	(180)	(10,564)
Other non-cash movements	-	105	105
Balance at 31 December 2021	49,720	1,054	50,774

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25 Subsequent events

On 28 January 2022 Ingevity UK Ltd received a loan of £10m from its parent company, Ingevity Corporation. The loan is repayable on 28 January 2023 and incurs interest at 1.73% per annum.