

Innospec Holdings Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number 4109325



Contents

	Page
Directors and advisers	1
Strategic report	2
Directors' report	6
Statement of directors' responsibilities in respect of the financial statements	7
Independent auditors' report to the members of Innospec Holdings Limited	8
Profit and loss account and other comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Statement of accounting policies	15
Notes to the financial statements	17

Directors and advisers for the year ended 31 December 2020

Directors

Ian Philip Cleminson
Brian Robert Watt (Company Secretary also, resigned 14 January 2021)
Graeme Thomas Blair (Company Secretary also, appointed 15 January 2021)
Graeme Kay
Christopher John Parsons
Keri Louise Tither

Independent auditors

PwC LLP
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

Solicitors

Mayer Brown International LLP
201 Bishopsgate
London
EC2M 3AF

Gibson Dunn & Crutcher
Telephone House
2 - 4 Temple Avenue
London
EC4Y 0HB

Bankers

Barclays Bank Plc
48B – 50 Lord Street
Liverpool
L2 1TD

Registered office

Innospec Manufacturing Park
Oil Sites Road
Ellesmere Port
Cheshire
CH65 4EY

Registered number

4109325

Strategic report for the year ended 31 December 2020

Principal activities

The principal activity of the Company during the year remained that of being an intermediate holding company, investing in Group undertakings involved in the manufacture and sale of chemicals and is anticipated to do so for the foreseeable future.

The entire share capital is owned by Innospec Developments Limited and the ultimate holding company is Innospec Inc.

Business review

The profit and loss account and other comprehensive income for the year is set out on page 12.

The Company has generated a profit in the year ended 31 December 2020 and moved to a net current asset position of £17,368,000 (2019: net current liabilities of £2,516,000). The profit for the financial year was £104,993,000 (2019: profit of £120,025,000). The reduction in profit is attributable to lower dividend receipts, decreasing by £10,399,000 year on year, and moving from a net interest receivable position of £2,220,000 in 2019 to a net interest payable position of £3,791,000 in 2020.

Activity in the year related mainly to the receipt of distributions from subsidiaries, interest and foreign exchange on intercompany balances. Both the level of activity and year-end financial position were satisfactory, and the Directors expect that the present level of activity will be maintained for the foreseeable future. The Directors remain confident of the long-term prospects for the Company and are of the opinion that an analysis using detailed key performance indicators is not necessary for an understanding of the development, performance or position of the Company.

The Company has no external bank debt but is party to overall debt funding through other members of the Innospec Inc. Group.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The Group has an extensive risk management structure in place which is designed to identify, manage and mitigate business risk.

The principal risks and uncertainties are recorded on page 9 of the Form 10-K for the year ended 31 December 2020 of the ultimate parent company, Innospec Inc., a copy of which is available from the Company website www.innospec.com.

The following sections on REACH, Brexit, Covid-19 and Companies Act 2006 S172 have been worded from an Innospec Inc. Group perspective, but also apply to the Company.

REACH

The European Union ("E.U.") legislation known as the Registration, Evaluation and Authorization of Chemical Substances Regulations ("REACH") requires most of the substances in the Company's products to be registered with the European Chemicals Agency. Under this legislation the Company has to demonstrate that the substances it uses in its products are safe for use and appropriate for their intended purposes in the E.U.. During this registration and continual evaluation process, the Company incurs expense to test and register substances it manufactures or imports in the E.U..

Following the end of the Brexit transition process, on 11 January 2021 the United Kingdom ("U.K.") government introduced U.K. REACH with the same registration requirements for substances produced in or imported into the U.K.. Furthermore, globally, similar regulatory regimes to the E.U. and U.K. REACH are also entering into force or are being proposed in several other countries. These registration based regulatory regimes will result in increasing test expenses and registration fees to ensure Innospec products remain compliant with the appropriate regulations and can continue to be sold in these markets.

Strategic report for the year ended 31 December 2020 (continued)

Brexit

The U.K. ceased to be a member of the E.U. on 31 January 2020 ("Brexit"). During a prescribed period, certain transitional arrangements were in effect, such that the U.K. continued to be treated, in most respects, as if it were still a member of the E.U., and generally remained subject to E.U. law. On 24 December 2020, the E.U. and the U.K. reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the E.U. and the U.K., including the E.U.-U.K. Trade and Cooperation Agreement (the "Agreement"). The Agreement itself is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the U.K.'s future economic, trading and legal relationships with the E.U. and with other countries. The departure of the U.K. from the E.U. Single Market and Customs Union (as well as all E.U. policies and international agreements) has ended free movement of goods between the U.K. and the E.U., creating non-tariff and quota barriers (such as customs checks at the borders between the E.U. and the U.K.) to trade in goods, resulting in increased disruption and cost to businesses and requiring adjustments to integrated E.U.-U.K. supply chains. Moreover, the free movement of persons, services and capital between the U.K. and the E.U. ended on 1 January 2021, which has meant the loss for U.K. suppliers of services of their automatic right to offer such services across the E.U..

The actual or potential consequences of the Agreement, and the associated uncertainty, could adversely affect economic and market conditions in the U.K., in the E.U. and its member states and elsewhere, and could contribute to instability in global financial markets. Until the level of disruption and additional cost to trading in goods and services and to the movement of persons and capital between the U.K. and the E.U. can be properly evaluated, it is not possible for us to determine the impact that the departure of the U.K. from the E.U. Single Market and Customs Union may have on us.

These developments may adversely impact our results of operations, financial position and cash flows.

Covid-19

We have been closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it has and will impact our customers, employees, supply chain, and distribution network. The effects of COVID-19 on the global economic environment have impacted, and are expected to continue to impact, the results of the Company significantly, particularly with respect to reduced demand within our Fuel Specialties and Oilfield Services segments, and we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The further extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. These include, but are not limited to, the availability and productivity of our employees, the duration and severity of the pandemic; government restrictions on businesses and individuals; the impact of the pandemic on our customers' businesses and the resulting demand for our products; the impact on our suppliers and supply chain network; the impact on global economies, including the possibility of recession and depression, and the timing and rate of economic recovery; the development of treatments and vaccines; and potential adverse effects on the financial markets.

The directors have assessed the impact of COVID-19 on future cash flow forecasts, including the impact of a severe but plausible downside scenario and are comfortable there is no impact on the adoption of the going concern assumption.

Strategic report for the year ended 31 December 2020 (continued)

Companies Act 2006 S172

Consequences of any decisions in the long term

Consideration is given to the impact of any decisions in the long term. At the core, this involves promoting the Company's success whilst also having regard to the interests of the Company's stakeholders.

Interests of Employees

Consultation with employees and their representatives continues at all levels, with the aim of ensuring that employees' views, regarding decisions that are likely to affect their interests, are taken into account and that all employees are aware of the financial and economic performance of the business units in which they are employed, and of the Company as a whole. Communication with employees continues through newsletters and briefing Groups.

Business relationships with suppliers, customers and others and Standards of business conduct

The Company is committed to fair dealings with its suppliers, customers, partners and other stakeholders. In order to achieve this, employees are required and expected to run the Company's business in accordance with its Code of Conduct, are required to complete regular related training and to certify compliance with the Code.

Impact of operations on the community and the environment

Monitoring and measuring the impact on the environment has been a long-standing core element of the Company's sustainability strategy. The Company is committed to using resources as efficiently as possible and minimizing the impact of our operations on the environment. Advancing technologies and processes are continuously reviewed, so we can actively seek out opportunities to improve our performance. The Company understands the important role of our business in the social and economic development of the communities in which we are based. Supporting our employees to participate in community and fundraising activities is a core business value that benefits everyone involved. Further details of our sustainability strategy, focus areas and activities can be found in Innospec Inc.'s latest Responsible Business Report, which is available on our web site.

Need to act fairly as between members of the company

Regular investor calls accessible to all shareholders regardless of the value of their shareholdings aim to ensure, that the Company provides all investors with equal access to relevant information.

Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity risk, market risk and foreign exchange risk.

Liquidity risk

The Company has no bank debt. Liquidity risk is managed at Innospec Inc. Group level with a mixture of long-term and short-term debt designed to ensure that all Group companies have sufficient funds available for operations.

Market risk

Market risk is managed at Group level using derivatives, including foreign currency forward exchange contracts, in the normal course of business, to manage market risks. The derivatives used in hedging activities are considered risk management tools and are not used for trading purposes.

In addition, the Group enters into derivative instruments with a diversified Group of major financial institutions in order to manage the exposure to non-performance of such instruments. The Company does not hold any derivative instruments.

Strategic report for the year ended 31 December 2020 (continued)

Financial risk management (continued)

Foreign exchange risk

The primary foreign currencies in which the Group has exchange rate fluctuation exposure are the European Union euro and U.S. dollar. There is, to a degree, an inherent hedge in that the Group has cash inflows and outflows in these currencies. Where exposures are identified the Group puts in place hedging transactions between Group companies, the Group exposure being hedged with third parties.

By order of the board



Graeme Thomas Blair
Company secretary
Date: 22 June 2021

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020.

Dividends

Dividends of £57,303,000 and £27,806,000 were paid to Innospec Developments Limited on 18 May and 25 September respectively (2019: £68,000,000 and £50,474,000). The remaining profit will be transferred to reserves.

On 30 April 2021 the Company paid a dividend to the value of £31,938,000 to Innospec Developments Limited (refer to note 14, Post balance sheet events).

Directors

The directors set out on page 1 have held office throughout the year and up to the date of signing the financial statements, with any exceptions noted. The directors do not recommend a final dividend (2019: £nil).

Qualifying third party indemnity

The Company has maintained a liability insurance for its directors and officers during the year and up to the date of signing the financial statements. The Company has also continued to provide an indemnity for its directors and secretary during the year and up to the date of signing the financial statements, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Political donations

During the year, no political donations were made (2019: £nil).

Companies Act 2006 S172

The Company aims to foster fair and honest relationships with its employees, suppliers, customers and other stakeholders. Reference is made to the Strategic Report for further details on these matters.

Financial Instruments

Details of financing and treasury policies, along with the management of treasury risk, interest rate and foreign exchange risk can be found in the Strategic Report.

Future Developments

An indication of the likely future developments in the business of the Company can be found in the Strategic Report.

Independent Auditors

PricewaterhouseCoopers LLP indicated their willingness to continue in office and a resolution that they be reappointed as auditors will be proposed at the annual general meeting

Disclosure of information to the auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



Graeme Thomas Blair

Company secretary

Date: 22 June 2021

Innospec Holdings Limited
Innospec Manufacturing Park
Oil Sites Road, Ellesmere Port
Cheshire, CH65 4E

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Independent auditors' report to the members of Innospec Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Innospec Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Profit and loss account and other comprehensive income, the Statement of changes in equity for the year then ended; the Statement of accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulations which govern the preparation of financial statements and taxation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent extraction of cash from the business.. Audit procedures performed by the engagement team included:

- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations;
- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- auditing the risk of management override of controls and considering unusual cash transactions including a scanning analytic of the full year bank statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 June 2021

Profit and loss account and other comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Administrative expenses		(5)	(295)
Operating loss		(5)	(295)
Income from shares in Group undertakings	4	108,075	118,474
Interest receivable and similar income	5	1,834	17,092
Interest payable and similar expenses	6	(5,625)	(14,872)
Profit before taxation		104,279	120,399
Tax on profit	7	714	(374)
Profit and other comprehensive income for the financial		104,993	120,025

The accounting policies and notes on pages 15 to 25 form part of these financial statements.

All of the activities during the year relate to continuing operations and there was no other comprehensive income for the year ended 31 December 2020 (2019: nil). Therefore, no separate Statement of Comprehensive Income has been presented.

Balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	8	53,841	53,841
Current assets			
Debtors (including £18,700,000 (2019: £nil) due after more than one year)	9	24,937	103,822
Cash at bank and in hand		19	3
		24,956	103,825
Creditors: amounts falling due within one year	10	(7,588)	(106,341)
Net current assets/(liabilities)		17,368	(2,516)
Net assets		71,209	51,325
Capital and reserves			
Called up share capital	11	10	10
Profit and loss account		71,199	51,315
Total shareholders' funds		71,209	51,325

The accounting policies and notes on pages 15 to 25 form part of these financial statements.

The financial statements on pages 12 to 25 were approved by the board of directors and were signed on its behalf by:



Graeme Kay

Director

Date: 22 June 2021

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total £'000
As at 1 January 2019	10	49,764	49,774
Profit and other comprehensive income for the financial year	-	120,025	120,025
Dividends paid to Group undertakings	-	(118,474)	(118,474)
Balance as at 31 December 2019	10	51,315	51,325
Profit and other comprehensive income for the financial year	-	104,993	104,993
Dividends paid to Group undertakings	-	(85,109)	(85,109)
Balance as at 31 December 2020	10	71,199	71,209

The accounting policies and notes on pages 15 to 25 form part of these financial statements.

Statement of accounting policies for the year ended 31 December 2020

Innospec Holdings Limited ("the Company") is a private company limited by shares and incorporated, domiciled and registered in England and Wales in the UK.

Basis of accounting

The financial statements were prepared in accordance with the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Innospec Inc., incorporated in the USA, includes the Company in its consolidated financial statements. The consolidated financial statements of the ultimate parent are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and are available to the public and may be obtained from the website given in note 13. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes; and
- Key management personnel compensation

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

As the Company is a wholly owned subsidiary of Innospec Inc., incorporated in the USA, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

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

Measurement convention

The financial statements are prepared on a historical cost basis. Additionally, the directors have assessed the impact of COVID-19 on future cash flow forecasts, including the impact of a severe but plausible downside scenario and are comfortable there is no impact on the adoption of the going concern assumption..

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

Debtors / creditors

Debtors are recognised initially at transaction price less attributable transaction costs. Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Statement of accounting policies for the year ended 31 December 2020 (continued)

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All currency gains or losses are taken to the profit and loss account in the year in which they arise.

Taxation

Tax on the profit or loss for the year comprises current 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.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Income from shares in Group undertakings

Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

Dividends Paid

Dividends paid to the company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid.

Notes to the financial statements for the year ended 31 December 2020

1 Employee and auditors' remuneration

The Company had no employees other than directors during the year (2019: none).

Auditors' remuneration for the years ended 31 December 2020 and 2019 has been borne by another Group undertaking, Innospec Limited. The total audit fee for Innospec Limited and Holding companies audited in the UK was £214,000 (2019: £220,000), of which £1,000 (2019: £1,000) is allocated for the audit of the Company.

2 Directors' emoluments

The directors received no remuneration for their services to the Company (2019: £nil).

The directors are remunerated through a Group undertaking, Innospec Limited. Details of their remuneration are included within the annual report of that company (2019: the same arrangement applied).

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are associated assumptions based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not believe that there are any accounting policies that would be likely to produce materially different results should a change be made to the underlying judgements, estimates and assumptions.

4 Income from shares in Group undertakings

	2020 £'000	2019 £'000
Dividends received from subsidiary	108,075	118,474

On 18 May and 25 September respectively, the Company received dividends from Innospec Finance Limited and Innospec Trading Limited of £57,304,000 and £50,771,000 respectively (2019: £118,474,000 from Innospec Finance Limited). All payments have been settled with no balance outstanding.

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable from Group undertakings	523	2,761
Foreign exchange gains related to loans	1,311	14,331
	1,834	17,092

6 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest payable to Group undertakings	774	5,159
Foreign exchange losses related to loans	4,851	9,713
Total interest payable and similar expenses	5,625	14,872

7 Tax on profit

Total tax (credit)/charge recognised in the profit and loss account.

	2020	2019
	£'000	£'000
Current tax		
Current tax on income for the year	(720)	375
Adjustment in respect of prior years	6	(1)
Total current tax (credit)/charge	(714)	374

The Company has no deferred taxation (2019: £nil).

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Tax on profit (continued)

Reconciliation of effective tax rate

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £'000	2019 £'000
Profit for the year	104,993	120,025
Total tax (credit)/charge	(714)	374
Profit excluding taxation	104,279	120,399
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	19,813	22,876
Exempt dividend income	(20,534)	(22,510)
Expenses not deductible for tax purposes	1	9
Adjustments in respect of prior years	6	(1)
Total tax (credit)/charge included in profit and loss	(714)	374

Factors that may affect future tax charges:

The UK corporation tax rate for the 12 month period to 31 December 2020 was 19%. A reduction from 19% to 17%, was enacted in September 2016, which would have been effective from 1 April 2020 and would have reduced the Company's tax charge accordingly. However, Finance Act 2020, which was substantively enacted on 17 March 2020, reversed this reduction and the UK corporation tax rate remained at 19%. On 3 March 2021, the UK Chancellor of the Exchequer announced that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023, which will increase the Company's future tax charge accordingly. The legislation implementing this increase in the UK corporation rate has not yet been substantively enacted.

8 Investments

	£'000
Cost	
At 1 January and 31 December 2020	95,080
Impairment	
At 1 January and 31 December 2020	(41,239)
Net book value	
At 31 December 2020	53,841
At 31 December 2019	53,841

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Investments (continued)

The Company's subsidiary undertakings at 31 December 2020 are set out below:

Name of undertaking	Address	Class and percentage of shares held	Principal activity
Alcor Chemie Vertriebs GmbH	Zählerweg 6 CH-3600 Zug Switzerland	100	Dormant
AK Chemie GmbH	Amtsgericht Darmstadt Registerabteilung Großgerau 42 HRB 51028	100	Dormant
Innospec Active Chemicals Limited *	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Dormant
Innospec Chemicals Beijing Limited	Room 9-2T01-61, 9F 79 Jianguo Road Chaoyang District Beijing	100	Chemical sales
Innospec Deutschland GmbH	Thiesstraße 44645 Herne Germany	100	Chemical manufacture
Innospec Environmental Limited	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Dormant
Innospec Finance Limited *	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Finance and treasury
Innospec France SA	17 Route de Rouen 27 950 Saint Marcel France	100	Chemical manufacture

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Investments (continued)

Name of undertaking	Address	Class and percentage of shares held	Principal activity
Innospec Hellas Single Person Limited	11, II Merachias Street Pireaus - 185 35 Greece	100	Chemical sales
Innospec Leuna GmbH	Am Haupttor Bau 6310 06237 Leuna Germany	100	Chemical manufacture and sales
Innospec Limited	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Chemical manufacture and sales
Innospec Performance Chemicals Belgium BVBA	3078 Kortenberg Everslaan 45 Belgium	100	Support Services
Innospec Performance Chemicals Europe Limited*	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Chemical sales
Innospec Performance Chemicals France SAS	Boite Postale 19 F-55300 St. Mihiel Han-sur-Meuse Meuse France	100	Chemical manufacture
Innospec Performance Chemicals Italia srl	46043 Castiglione delle Stiviere (MN) via Cavour 50 Italy	100	Chemical manufacture

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Investments (continued)

Name of undertaking	Address	Class and percentage of shares held	Principal activity
Innospec Performance Chemicals Spain SL	Poligono Zona Franca sector F calle 43 no. 10 08040 Barcelona Spain	100	Chemical manufacture
Innospec (Plant) Limited	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY	100	Dormant
Innospec Rus OOO	Tverskaya Street 9 Building 7 Moscow 125009 Russian Federation	100	Chemical sales
Innospec Saint-Mihiel SAS	Boite Postale 19 F-55300 St. Mihiel Han-sur-Meuse Meuse	100	Holding Company
Innospec Sweden AB	P. O. Box 503 651 11 Karlstad Sweden	100	Dormant
Innospec Trading Limited *	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Holding company
Novoktan GmbH	Parkstrasse 14727 Premnitz Brandenburg Germany	100	Dormant
Innospec Fuel Specialties Limited	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY United Kingdom	100	Holding Company and chemicals sales

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Investments (continued)

Name of undertaking	Address	Class and percentage of shares held	Principal activity
OBOAdler Company Limited	Innospec Manufacturing Park Oil Sites Road Ellesmere Port Cheshire CH65 4EY	100	Holding company
Octel Dorf Ketal India Private Limited	#1 Dorf Ketal Tower D'Monte Street Orlem Malad (west) Mumbai 400064	50	Dormant
Societa Italiana Additivi Per Carburanti S.r.l. (SIAC)	Via V. Pisani 16 20124 Milano Italy	100	Dormant
Innospec Saudi Arabia Industry Company Limited	P.O. Box 11693 Al-Khobar Saudi Arabia	70	Chemical manufacture

* Direct subsidiary

9 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	24,217	103,822
Corporation tax	720	-
	24,937	103,822

Amounts owed by Group undertakings are unsecured and are repayable on demand and bear interest at rates of up to LIBOR plus 2%.

Amounts owed by group undertakings include £18,700,000 (2019: £nil) due after more than one year. This designated long-term loan bears interest of EURIBOR plus 2%.

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	7,588	105,967
Corporation tax	-	374
	7,588	106,341

Amounts owed to Group undertakings are unsecured and are repayable on demand and bear interest at rates of up to LIBOR plus 2%.

11 Called up Share Capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
100,000 (2019: 100,000) ordinary shares of 10p each	10	10

12 Contingent liabilities

The Company has an unlimited cross-guarantee arrangement in respect of the borrowings of companies in the Innospec Inc. Group. At 31 December 2020, the net cash position of the Group under the unlimited cross-guarantee arrangement amounted to US\$ 104.7 million (31 December 2019: net cash of US\$ 15.6 million).

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Ultimate parent undertaking and controlling party

The directors regard Innospec Developments Limited, a company registered in England, as the immediate parent undertaking.

The directors regard Innospec Inc., a company registered in the USA, as the ultimate parent undertaking and controlling party. Innospec Inc. is the parent of the smallest and largest Group of undertakings into which the Company's financial statements are consolidated.

Copies of the consolidated financial statements for the ultimate parent undertaking are available from the Company website www.innospec.com. Innospec Inc.'s office is registered at South Valley Highway, Suite 350, Englewood, Colorado USA.

14 Post balance sheet events

On 30 April 2021 the Company paid a dividend to the value of £31,938,000 to Innospec Developments Limited (refer to Directors' report).