Innospec Performance Chemicals Europe Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number 10327773

Content

Directors and advisers for the year ended 31 December 2019

Directors
Ian Philip Cleminson
Philip Andrew Curran (Resigned 2 August 2019)
Brian Robert Watt (Company Secretary also)
Graeme Kay
Keri Louise Tither
Christopher John Parsons

Independent auditor
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Registered number
10327773

Strategic report for the year ended 31 December 2019

Principal activity

The principal activity of Innospec Performance Chemicals Europe Limited ('the Company') and Innospec Performance Chemicals Europe Limited Group ('the Group') during the period was the sale of surfactant chemicals.

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

Business review

The Company develops, manufactures and sells surfactant chemicals and is part of the wider Innospec Inc. group ('Innospec Inc. group'). For the year ended 31 December 2019 the Company formed part of the Innospec Inc. group's Performance Chemicals business segment, which has an integrated regional model focusing on three main world areas: EMEA (Europe, Middle East and Africa), Americas, and Asia Pacific.

The profit and loss for the year is set out on page 11. The Group has generated a profit in the year ended 31 December 2019 of €293,000 (2018: €12,553,000 loss)

Key performance indicators used by the Group are as follows:

	12 months ended 31 December 2019	12 months ended 31 December 2018	**Definition**
Sales	**225,880**	243,309	Sales turnover (€'000)
Gross margin	**17.6%**	14.4%	Gross profit expressed as a percentage of turnover
Operating margin	**4.0%**	(1.9)%	Operating profit (loss) expressed as a percentage of turnover

Sales for the year amounted to €225.9m (2018: €243.3m), with the majority being in Europe, Middle East and African markets. Gross profit for the year was €39.6m (2018: €34.9m) with gross margin at the 17.6% (2018: 14.4%) level. Administrative expenses (including restructuring charges and IT expenditure) and selling expenses amounted to €18.0m and €12.7m respectively (2018: €26.9m & €12.7m). As a result, operating income for the year was €9.0m (2018: loss of €4.7m) with a 4.0% (2018: (1.9%)) operating margin. Profit before tax for the year was €4.7m (2018: loss of €10.1m).

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

At 31 December 2019 the Group had net assets of €48.1m (31 December 2018: €48.0m)

Strategic report for the year ended 31 December 2019 (continued)

Strategy
The Innospec Performance Chemicals Europe Limited strategy is to develop new and improved products and technologies to continue to strengthen and increase our market positions within our Performance Chemicals segment. Innospec Performance Chemicals Europe Limited also actively continues to assess potential strategic acquisitions, partnerships and other opportunities that would enhance and expand customer offerings.

Innospec Performance Chemicals Europe focuses on opportunities that would extend its technology base, geographical coverage or product portfolio. By focusing on the Performance Chemicals segment, in which Innospec Performance Chemicals Europe has existing experience, expertise and knowledge, this provides opportunities for positive returns on investment with reduced operating risk.

Future developments
Both the level of business and the period end financial position were satisfactory. The directors expect an adverse impact on the business, the results of operations, financial position and cash flows as a result of the COVID-19 pandemic but remain confident of the long term prospects for the Group.

Principal risks and uncertainties
The principal risks and uncertainties of the Group are integrated with the principal risks and uncertainties of the Innospec Inc. 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 8 of the Form 10-K for the year ended 31 December 2019 of the ultimate parent company, Innospec Inc., a copy of which is available from the Company website www.innospecinc.com.

Brexit
On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". Subsequently, the U.K. parliament passed the European Union (Notification of Withdrawal) Act 2017, which conferred power on the U.K. government to give notice to the European Council, under Article 50(2) of the Treaty on European Union, of the U.K.'s intention to withdraw from the European Union. The U.K. submitted this notice to the European Council on March 29, 2017. The U.K. left the E.U. on January 31, 2020. A transition period now exists until December 31, 2020, during which businesses in the U.K. will trade on essentially very similar if not the same terms as before and E.U. law will continue to apply in the U.K. while the detailed legal agreement on the future relationship between the U.K. and the E.U. is being negotiated. If a future trading relationship is not agreed between the U.K. and the E.U. before the end of the transition period then there are likely to be greater restrictions on imports and exports between the U.K. and E.U. member states and increased regulatory complexities for businesses trading goods and services between those jurisdictions. For example, during the proposed transition period, goods first lawfully put on the market in the E.U. or in the U.K. prior to the end of the transition period can circulate between the two markets before they reach the end user, but following the end of the transition period or in a No Deal scenario, they may not be able to do so without complying with additional requirements first.

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

The COVID-19 pandemic is expected to have an adverse impact on our business, results of operations, financial position and cash flows.

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including how it will impact our customers, employees, supply chain, and distribution network. While COVID-19 did not have any adverse effect on our reported results for the year ended 31 December 2019, 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 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, including new information which may emerge concerning the severity of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown.

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)
This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

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 our annual 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.

Health, safety and environment
The Group recognises the importance of its environmental responsibilities. In relation to health, safety and environment principles, the Group operates in accordance with Innospec Inc. Group policies. The principles relating to the environment cover the integration of environmental management into business operations, a commitment to the adoption and achievement of best practice wherever this is practicable, a commitment to prevent pollution, compliance with local environmental legislation, a commitment to strive for continual improvement, and a commitment to ensure proper communication with employees on environmental matters.

Financial risk management
The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, market risk and foreign exchange risk.

Price risk
The Group offers fixed prices for some long-term sales contracts which exposes the Group to some limited price risk. The Group monitors the impact of fluctuating costs of raw materials and seeks to price transactions accordingly in line with market fluctuations to mitigate this risk.

Credit risk
Credit limits, ongoing credit evaluation and account monitoring procedures are used to minimise bad debt risk.. Collateral is not generally required.

Strategic report for the year ended 31 December 2019 (continued)

Liquidity risk
The Group has no external 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 Innospec Inc. Group level using derivatives, including interest rate swaps, and foreign currency forward exchange contracts, in the normal course of business. The derivatives used in hedging activities are considered risk management tools and are not used for trading purposes. In addition, the Innospec Inc. 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 Group does not hold any derivative instruments.

Foreign exchange risk
The primary foreign currencies in which the Group and the Company has exchange rate fluctuation exposure are the Euro, British Pound, and US dollar. There is to a degree, an inherent hedge in that the group has cash inflows and outflows in these currencies.

By order of the board

Brian Robert Watt
Director
Date: June 18, 2020

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Dividends
No dividend was declared by the Company in respect of the period ended 31 December 2019 (2018: €nil).

Directors
The directors set out on page 1 have held office throughout the period and up to the date of signing the financial statements, with any exceptions noted.

Qualifying third party indemnity
The Innospec Inc. Group maintains liability insurance for its directors and officers. The Group has also continued to provide an indemnity for its directors and secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Political donations
During the period, neither the Group nor the Company made any political donations (2018: €nil).

Research and development
Research and development provide the basis for the growth of the Performance Chemicals businesses. Activity has been, and will continue to be, focused on the development of new products and formulations for these.

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.

The Group is an equal opportunities employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation, and to ensure that no employee is treated less favourably on the grounds of gender, marital status, race, colour, nationality or national origin, disability or sexual orientation, or is disadvantaged by conditions or requirements, including age limits, which cannot objectively be justified. Entry into, and progression within, the Group is determined solely on the basis of work criteria and individual merit.

It is the Group's policy to apply best practice in the employment of disabled people. The Group seeks to find alternative work and arranges appropriate training for any of its employees who may be disabled by injury or by the onset of an adverse medical condition. Full and fair consideration is given to every application for employment from disabled persons whose aptitude and skills can be utilised in the business, and to their subsequent training and career development. Appropriate medical advice is considered where necessary.

Directors' report for the year ended 31 December 2019 (continued)

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 auditor
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 auditor is 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 auditor is aware of that information.

Independent Auditors
During the year the Company appointed PricewaterhouseCoopers as auditors. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board

Brian Robert Watt
Director
Date: June 18, 2020

Innospec Performance Chemicals Europe Limited
Innospec Manufacturing Park
Oil Sites Road, Ellesmere Port
Cheshire, CH65 4EY

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 group and parent company 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 group and parent company and of the profit or loss of the group and parent 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 group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent 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 group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

pwc | UK

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Independent auditor's report to the members of Innospec Performance Chemicals Europe Limited

Opinion

In our opinion, Innospec Performance Chemicals Europe Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit and cash flows 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 Consolidated and Company balance sheets as at 31 December 2019; the Consolidated profit and loss account and other comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

Independent auditor's report to the members of Innospec Performance Chemicals Europe Limited (continued)

Reporting on other information

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

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

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

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

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 2019 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 group and parent company and their 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Innospec Performance Chemicals Europe Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent 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 parent company 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
18th June 2020

Consolidated profit and loss account and other comprehensive income for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Turnover	1	**225,880**	243.309
Cost of sales		**(186,235)**	(208.388)
Gross profit		**39,645**	34,921
Administrative expenses		**(17,965)**	(26.927)
Selling expenses		**(12,673)**	(12.668)
Operating profit/(loss)	2	**9,007**	(4.674)
Interest receivable and similar income	6	**10**	-
Interest payable and similar expenses	7	**(4,284)**	(5.448)
Profit/(loss) before taxation		**4,733**	(10.122)
Tax on profit/(loss)	8	**(4,440)**	(2.431)
Profit/(loss) for the period		**293**	(12.553)
Other comprehensive income			
Re-measurement of leaving indemnity		**(180)**	-
Total comprehensive income/(loss) for the year		**113**	(12.553)

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

All of the activities during the period relate to continuing operations.

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

Consolidated and Company balance sheets as at 31 December 2019

	Note	Consolidated 2019 €'000	Company 2019 €'000	Consolidated 2018 €'000	Company 2018 €'000
Fixed assets					
Goodwill	9,10	**55,651**	**-**	63,601	-
Other intangible assets	9,10	**27,620**	**27,619**	32,101	32,098
Fixed assets	11	**82,544**	**-**	85,983	-
Investments in subsidiary undertakings	12	**-**	**116,751**	-	116,751
		165,815	**144,370**	181,685	148,849
Current assets					
Stocks	13	**19,961**	**16,890**	19,254	16,199
Debtors	14	**56,609**	**44,332**	68,479	56,965
Cash at bank and in hand		**6,223**	**5,768**	2,584	2,134
		82,793	**66,990**	90,317	75,298
Creditors: amounts falling due within one year	15	**(57,562)**	**(48,651)**	(59,899)	(49,940)
Net current assets		**25,231**	**18,339**	30,418	25,358
Total assets less current liabilities		**191,046**	**162,709**	212,103	174,207
Creditors: amounts falling due after more than one year	16	**(135,029)**	**(119,781)**	(151,989)	(134,505)
Provision for other liabilities	17	**(7,865)**	**-**	(12,075)	-
Net assets		**48,152**	**42,928**	48,039	39,702
Capital and reserves					
Called up share capital	19	**56,861**	**56,861**	56,861	56,861
Profit and loss account		**(8,709)**	**(13,933)**	(8,822)	(17,159)
Total shareholders' funds		**48,152**	**42,928**	48,039	39,702

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

The financial statements on pages 11 to 34 were approved by the board of directors and were signed on its behalf by:

Graeme Kay
Director
Date: June 18, 2020

Consolidated and Company statement of changes in equity for the year ended 31 December 2019

Consolidated	Called up share capital €'000	Profit and loss account €'000	Total €'000
As at 1 January 2019	56.861	(8.822)	48.039
Profit for the year	-	293	293
Other comprehensive income for the year	-	(180)	(180)
At 31 December 2019	**56,861**	**(8,709)**	**48,152**

Company	Called up share capital €'000	Profit and loss account €'000	Total €'000
As at 1 January 2019	56,861	(17,159)	39,702
Profit for the year	-	3,226	3,226
At 31 December 2019	56,861	(13,933)	42,928

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Cash flows from operating activities			
Profit/(loss) for the year		**293**	(12,553)
Adjustments for:			
Tax on profit/(loss)		**4,440**	2,431
Net interest expense		**4,274**	5,448
Depreciation and amortisation		**19,142**	18,722
Loss on disposal of assets		**54**	45
Decrease/(increase) in trade and other debtors		**11,870**	(4,212)
(Increase)/decrease in stocks		**(707)**	604
Decrease in trade and other creditors		**(2,785)**	(3,375)
Decrease/(increase) in provisions		**(4,210)**	4,810
Decrease in amounts owed to Innospec Group companies		**(2,112)**	(1,832)
Tax paid		**(2,060)**	(843)
Net cash used in operating activities		**28,199**	9,245
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(3,326)**	(3,780)
Acquisition of other intangible assets		**-**	(1,045)
Net cash used in investing activities		**(3,326)**	(4,825)
Cash flows from financing activities			
Cash outflow from Innospec Group loan transactions		**(21,234)**	(5,749)
Net cash generated from financing activities		**(21,234)**	(5,749)
Net increase in cash and cash equivalents		**3,639**	(1,329)
Cash and cash equivalents at 1 January 2018		**2,584**	3,913
Cash and cash equivalents at 31 December 2019		**6,223**	2,584

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Statement of accounting policies for the year ended 31 December 2019

Innospec Performance Chemicals Europe Limited is a private company incorporated domiciled and registered in England and Wales in the UK.

Basis of accounting
These Group and parent company 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"). The presentation currency of these financial statements is Euro. All amounts in the financial statements have been rounded to the nearest €1,000.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12.

The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- Cash flow statement and related notes;
- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a third time;
- Key Management Personnel compensation has not been included a third time;
- Certain disclosures required by FRS 102.26 Shared Based Payments; and,
- Certain disclosures required by FRS 102.26 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

As the Group and the Company is wholly owned by 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 Innospec Inc.

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

Measurement convention
The financial statements are prepared on the historic cost basis except the acquired intangible assets and tangible assets which have been stated at their fair value on acquisition.

Going concern
The Company participates in Innospec Inc's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiaries. The Company also has amounts owed to its parent and fellow subsidiaries as at 31 December 2019.

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

The directors of Innospec Inc. have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds, through funding from its existing facilities, to meet its liabilities as they fall due for that period.

Innospec Inc. has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. Innospec Inc. has also indicated its intention not to seek repayment of the amounts currently due from the Company to Innospec Inc. and fellow subsidiaries, which at 31 December 2019 amounted to €139,701,000 or the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Statement of accounting policies for the year ended 31 December 2019 (continued)

Going concern (continued)
Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation
The consolidated financial statements include the financial statements of the Group and Company made up to December 31, 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill and other intangible assets

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired. Goodwill is amortised under FRS102 based on expected useful life. Goodwill has no residual value. The finite useful life of goodwill is reliably estimated to be 10 years.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows which are being amortised on a straight-line basis:

- capitalised development costs (ERP system) 5 years
- customer and distributor relationships 10 years
- other intangibles 5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Tangible fixed assets
Tangible fixed assets are stated at fair value on acquisition less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Statement of accounting policies for the year ended 31 December 2019 (continued)

Tangible fixed assets (continued)
Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 25 years
- plant and machinery 3-10 years
- remediation costs Life of the project

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of labour and overheads based on normal operating capacity.

Business combinations
Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognised goodwill at the acquisition date considering:

- the fair value of the consideration (excluding contingent consideration) transferred:
- estimated amount of contingent consideration:
- the fair value of the equity instruments issued:
- directly attributable transaction costs less the net recognised amount of the identifiable assets acquired and
- liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Basic financial instruments

Trade and other debtors/creditors
Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Provisions for remediation costs
Liabilities for environmental remediation are recognised in full in the period in which an obligation arises. The amount recognised is the discounted value of estimated future expenditure based on current legal requirements and existing technology. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated as part of the related operating asset in accordance with the depreciation policy set out above.

Statement of accounting policies for the year ended 31 December 2019 (continued)

Provisions for remediation costs (continued)
The carrying amount of liabilities is reviewed regularly. Changes in operational assumptions, law or technology are reflected in an adjustment to the provision and the fixed asset. The effect of inflation on the amount of liabilities is recorded as a finance charge.

Post retirement obligations
Liabilities for statutory leaving indemnities, payable to employees on leaving employment, are recognised in the period in which the benefit is earned by the employee.

Restructuring provision
Restructuring provisions are recognised when the Company has a detailed formal plan that has either commenced implementation or has been announced. Provisions are recorded for the estimated ultimate liability that is expected to arise.

Turnover
Turnover represents the invoiced value of goods, net of trade discounts and value added tax. Turnover is recognised on invoice when goods are despatched or upon receipt by the customer, dependent on terms of trade.

Foreign currencies
Transactions in foreign currencies are translated into Euro at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro 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 period in which they arise.

Taxation
Tax on the profit or loss for the period comprises current tax and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Leases
Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance leases are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Statement of accounting policies for the year ended 31 December 2019 (continued)

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease, unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss over the term of the lease as an integral part of the total lease expense.

Employee benefits

Defined contribution plans and other long term employee benefits

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

Notes to the financial statements for the year ended 31 December 2019

1 Turnover

The whole of the Group's turnover relates to one class of business, the sale of surfactant chemicals. An analysis of turnover by geographical market is given below:

	2019 €'000	2018 €'000
Europe, Middle East and Africa	**211,135**	227,613
Americas	**5,678**	7,628
Asia Pacific	**9,067**	8,068
	225,880	243,309

2 Operating profit/(loss)

	2019 €'000	2018 €'000
Operating profit/(loss) is stated after charging:		
Costs to Innospec Inc. group undertakings	**7,137**	7,655
Restructuring costs	**-**	5,900
Amortisation of intangible fixed assets	**12,431**	12,474
Depreciation	**6,711**	6,250

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.

With the exception of the remediation provision (note 17), 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.

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Employee information and auditor remuneration

The average number of persons employed by the Group during the period was:

By activity	2019 No.	2018 No.
Production	**355**	360
Selling	**27**	29
Administrative	**61**	54
	443	443

The aggregate payroll costs of these persons were as follows	2019 €'000	2018 €'000
Wages and salaries	**23,471**	24,993
Social security costs	**8,485**	8,156
Post retirement obligations	**652**	1,229
	32,608	34,378

Audit remuneration for the year ended 31 December 2019 has been borne by another group undertaking, Innospec Limited. The total audit fee for the companies audited with regards to the Group was £239,000 (2018: £137,000). The 2018 auditors' remuneration for statutory audit services relate solely to amounts paid to KPMG Audit Plc. The 2019 amounts relate solely to amounts paid to PwC LLP.

The key management personnel of the Company are remunerated by Innospec Limited, which is part of the Innospec Inc. Group.

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Directors' remuneration

The directors received no remuneration for their services to the company.

The directors are remunerated by Innospec Limited, which is part of the Innospec Inc. Group. Details of their remuneration are included within the annual report of that company.

6 Interest receivable and similar income

	2019 €'000	2018 €'000
Foreign exchange gains related to Innospec Inc. Group loans	-	-
Other interest receivable from Innospec Inc. Group undertakings	10	-
Total interest receivable and similar income	**10**	-

7 Interest payable and similar expenses

	2019 €'000	2018 €'000
Foreign exchange losses related to Innospec Inc. Group loans	852	1,959
Interest payable to Innospec Inc. Group undertakings	3,432	3,489
Total interest payable and similar expenses	**4,284**	5,448

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit

Total tax expense recognised in the profit and loss account	2019 €'000	2018 €'000
Current tax		
UK current tax on income for the period	3,040	(1,112)
Overseas current tax on income for the period	1,716	3,181
Adjustment in respect of prior period	(1,629)	812
Total current tax	3,127	2,881
Deferred tax		
Origination and reversal of timing differences	(733)	(1,191)
Adjustment in respect of prior period	2,046	741
Effect of change in tax rate	-	-
Total deferred tax	1,313	(450)
Total tax	4,440	2,431

	2019 Current tax €000	2019 Deferred tax €000	2019 Total tax €000	2018 Current tax €000	2018 Deferred tax €000	2018 Total tax €000
Recognised in profit and loss account	3,127	1,313	4,440	2,881	(450)	2,431
Total tax	3,127	1,313	4,440	2,881	(450)	2,431

Analysis of current tax recognised in the profit and loss account	2019 €'000	2018 €'000
UK Corporation tax	2,386	(1,010)
Overseas tax*	741	3,891
Total current tax recognised in profit and loss account	3,127	2,881

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit (continued)

	2019 €'000	2018 €'000
Profit/(loss) for the period	**293**	(12,553)
Total tax expense	**4,440**	2,431
Profit/(loss) excluding taxation	**4,733**	**(10,122)**
Tax using UK corporation tax rate of 19% (2018: 19%)	**899**	(1,923)
Effects of:		
Expenses not deductible	**214**	322
Income not taxable	**(118)**	(394)
Goodwill amortisation	**1,511**	1,511
Uncertain tax positions	**-**	950
Differences between overseas tax rates	**1,042**	412
Adjustments in respect of prior period	**417**	1,553
Double tax relief	**(274)**	-
Total tax expense recognised in profit and loss	**3,691**	2,431

Factors that may affect future tax charges
The UK corporation tax rate for the 12 month period to 31 December 2019 was 19%. A reduction from 19% to 17%, effective 1 April 2020, was enacted in September 2016, which would reduce the Company's future tax charge accordingly, and therefore the deferred tax liability at 31 December 2019 has been calculated using a rate of 17%. However, as it stands Finance Bill 2020 would maintain the UK corporation tax rate at 19%; the Bill has not been substantively enacted, so it has not been considered in calculating the company's deferred tax liabilities.

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Intangible assets - Consolidated

	Goodwill €'000	Customer Lists €'000	ERP €'000	Other €'000	Total €'000
Cost					
At 1 January 2019	79.501	35.343	4.777	260	119.881
At 31 December 2019	**79,501**	**35,343**	**4,777**	**260**	**119,881**
Accumulated amortisation					
At 1 January 2019	(15.900)	(6.734)	(1.288)	(257)	(24.179)
Charge for the period	(7.950)	(3.535)	(945)	(1)	(12.431)
At 31 December 2019	**(23,850)**	**(10,269)**	**(2,233)**	**(258)**	**(36,610)**
Net book value 2019	**55,651**	**25,074**	**2,544**	**2**	**83,271**
Net book value 2018	63.601	28.609	3.489	3	95.702

Reconciliation of amortisation recognised in the profit and loss account.

	2019 €'000	2018 €'000
Administrative expenses	**(12,431)**	(12.474)
Total	**(12,431)**	(12.474)

On December 30. 2016. the Company acquired the European Surfactants business from Huntsman Investments (Netherlands) B.V. for a total consideration of €187.8m. The principle intangible asset acquired as part of the acquisition related to customer lists.

The Goodwill and customer lists are accordingly valued at the fair value when the asset was acquired and is charged to the profit and loss account on a straight line basis over a 10 year period.

The Company paid €4.8 million in respect of the costs associated with the implementation and upgrading of a new ERP system. The costs have been capitalised as an intangible asset with amortisation being charged to the profit and loss account on a straight-line basis over a period of 5 years.

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Intangible assets - Company

	Customer Lists €'000	Patents €'000	ERP €'000	Total €'000
Cost				
At 1 January 2019	35.343	11.372	4,777	51,492
At 31 December 2019	**35,343**	**11,372**	**4,777**	**51,492**
Accumulated amortisation				
At 1 January 2019	(6,734)	(11.372)	(1.288)	(19,394)
Charge for the period	(3.535)	-	(944)	(4,479)
At 31 December 2019	**(10,269)**	**(11,372)**	**(2,232)**	**(23,873)**
Net book value 2019	**25,074**	-	**2,545**	**27,619**
Net book value 2018	28,609	-	3,489	32,098

Reconciliation of amortisation recognised in the profit and loss account.

	2019 €'000	2018 €'000
Administrative expenses	**(944)**	(987)
Selling expenses	**(3,535)**	(3.535)
Total	**(4,479)**	(4,522)

On December 30, 2016, the Company acquired the European Surfactants business from Huntsman Investments (Netherlands) B.V. for a total consideration of €187.8m. The principle intangible asset acquired related to customer lists totalling €31.7m. Amortisation is being charged to the profit and loss account on a straight-line basis over a period of 10 years.

The Company paid €4.8 million in respect of the costs associated with the implementation and upgrade of a new ERP system, effective as of August 2017. The costs have been capitalised as an intangible asset with amortisation being charged to the profit and loss account on a straight-line basis over a period of 5 years.

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Tangible assets - Consolidated

	Remediation costs €'000	Freehold land and buildings €'000	Plant and machinery €'000	Assets in the course of construction €'000	Total €'000
Cost					
At 1 January 2019	2.341	25.055	66,207	4,191	97,794
Additions	-	-	-	3.326	3,326
Transfers	-	942	2.790	(3.732)	-
Disposals	-	-	(277)	-	(277)
At 31 December 2019	**2,341**	**25,997**	**68,720**	**3,785**	**100,843**
Accumulated depreciation					
At 1 January 2019	(118)	(1,670)	(10,023)	-	(11,811)
Charge for the year	(126)	(945)	(5.640)	-	(6.711)
Eliminated on disposal	-	-	223	-	223
At 31 December 2019	**(244)**	**(2,615)**	**(15,440)**	-	**(18,299)**
Net book value 2019	**2,097**	**23,382**	**53,280**	**3,785**	**82,544**
Net book value 2018	2.223	23.385	56.184	4,191	85,983

In the opinion of the directors, the difference between the market value and balance sheet value of land is not significant.

The Company does not hold any tangible fixed assets.

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Investments in subsidiary undertakings – Company

	€'000
Cost and net book value at 31 December 2019	**116,751**
Cost and net book value at 31 December 2018	116,751

The company's subsidiary undertakings at 31 December 2019 are set out below:

Name of undertaking	Address	Ordinary and percentage of shares held	Principal activity
Innospec Performance Chemicals Belgium B.V.B.A.*	3078 Kortenberg Everslaan 45 Belgium	100	Provision of support services
Innospec Saint-Mihiel S.A.S	Boite Postale 19, F-55300 St.Mihiel Han-sur-Meuse France	100	Holding company
Innospec Performance Chemicals France S.A.S.	Boite Postale 19, F-55300 St.Mihiel Han-sur-Meuse France	100	Chemical manufacture
Innospec Performance Chemicals Italia Srl	46043 Castiglione delle Stiviere (MN) Via Cavour 50 Italy	100	Chemical manufacture
Innospec Performance Chemicals Spain SL*	Poligono Zona Franca sector F calle 43 no. 10 08040 Barcelona Spain	100	Chemical manufacture

* Direct subsidiary

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Stocks

	Consolidated 2019 €'000	Company 2019 €'000	Consolidated 2018 €'000	Company 2018 €'000
Raw materials, consumables and intermediates	5,757	5,757	6.172	6,138
Finished goods	10,591	11,133	9.484	10,061
Engineering spares	3,613	-	3,598	-
	19,961	16,890	19,254	16,199

The write-down of stocks to net realisable value amounted to €1.1m (2018: €0.9m).

14 Debtors

	Consolidated 2019 €'000	Company 2019 €'000	Consolidated 2018 €'000	Company 2018 €'000
Amounts falling due within one year:				
Trade debtors	37,204	36,538	42,554	41,795
Value added tax	17,457	7,459	24.005	13,724
Corporation tax debtor	-	-	-	1.112
Prepayments and accrued income	1,948	335	1,920	334
	56,609	44,332	68.479	56,965

Notes to the financial statements for the year ended 31 December 2019 (continued)

15 Creditors: amounts falling due within one year

	Consolidated 2019 €'000	**Company 2019 €'000**	Consolidated 2018 €'000	Company 2018 €'000
Trade creditors	**26,318**	**19,525**	27,014	20,546
Other creditors	**2,127**	**-**	2,454	-
Amounts owed to Innospec Inc. Group undertakings	**7,027**	**19,920**	9,139	22,808
Accruals and deferred income	**11,089**	**2,481**	12,671	2,563
Corporation tax creditor	**2,159**	**3,124**	1,091	-
Deferred tax	**8,842**	**3,601**	7,530	4,023
	57,562	**48,651**	59,899	49,940

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

The movement in the deferred tax provision is:

	***Consolidated* 2019 €'000**	***Company* 2019 €'000**	Consolidated 2018 €'000	Company 2018 €'000
At 1 January	**7,530**	**4,023**	7,980	4,152
Transfer to profit and loss account	**1,312**	**(422)**	(450)	(129)
As at 31 December	**8,842**	**3,601**	7,530	4,023

Notes to the financial statements for the year ended 31 December 2019 (continued)

15 Creditors: amounts falling due within one year (continued)

The deferred tax balance comprises:

	Consolidated 2019 €'000	**Company 2019 €'000**	Consolidated 2018 €'000	Company 2018 €'000
Accelerated capital allowances	**12,381**	**-**	11,860	-
Short term timing differences	**(877)**	**(178)**	(1,197)	(295)
Intangible assets	**3,779**	**3,779**	4,319	4,318
Leaving indemnity	**(597)**	**-**	(567)	-
Tax losses	**(5,844)**	**-**	(6,885)	-
Deferred tax liability	**8,842**	**3,601**	7,530	4,023

16 Creditors: amounts falling due after one year

	Consolidated 2019 €'000	**Company 2019 €'000**	Consolidated 2018 €'000	Company 2018 €'000
Amounts owed to Innospec Inc. Group undertakings	**135,029**	**119,781**	151,989	134,505

Amounts owing to group undertakings include €135,029,000 (2018: €151,989,000) due after more than one year. These designated long-term loans bear interest at 2% and are repayable on 30 December, 2022.

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Provision for other liabilities

	Consolidated 2019 €'000	**Company 2018 €'000**	Consolidated 2018 €'000	Company 2018 €'000
Remediation costs	**2,563**	**-**	**2,452**	-
Restructuring provision	**1,292**	**-**	**5,750**	-
Leaving indemnity	**4,010**	**-**	**3,873**	-
	7,865	**-**	**12,075**	-

Remediation Costs	**2019 €'000**	2018 €'000
At 1 January	**2,452**	2,341
Charged to profit and loss account	**111**	111
At 31 December 2019	**2,563**	2,452

Total costs for remediation are evaluated on an annual basis to take account of expenditure incurred and to amend the scope and cost of future activities in the light of findings from projects carried out.

The forward profile of the provision is as follows:

Remediation Costs	**2019 €'000**	2018 €'000
Within one year	-	-
Within two to five years	-	-
After five years	**2,563**	2,452
	2,563	2,452

The remediation provision reflects the current best estimate of liabilities arising under environmental regulations. It is based on a programme of future work required and the associated costs.

Restructuring provision	**2019 €'000**	2018 €'000
At 1 January 2019	**5,750**	-
Charged to profit and loss account	-	5,900
Amount charged to provision	**(4,458)**	(150)
At 31 December 2019	**1,292**	5,750

The restructuring provision relates primarily to severance and office rental costs associated with the closure of our Everberg site, Belgium, and is expected to be utilised between one and two years.

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Provision for other liabilities (continued)

Post Retirement Obligation Costs	2019 €'000	2018 €'000
At 1 January 2019	3,873	3.971
Actuarial losses	180	-
Charge to provision	(698)	-
Charge to profit and loss account	655	(98)
At 31 December 2019	**4,010**	**3,873**

The Group is obligated to provide for statutory leaving indemnity (TFR) in its Italian and French subsidiaries. The leaving indemnity is unfunded and is payable to employees on leaving employment.

18 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated 2019 €'000	Consolidated 2018 €'000
Less than one year	701	1.169
Between one and five years	1,500	2.710
	2,201	3,879

During the period €526.000 were recognised as an expense in the profit and loss account, all of which are disclosed as operating leases. The Company does not hold any operating leases.

19 Called up share capital

	Company 2019 €'000	Company 2018 €'000
Allotted, called up and fully paid		
48,931,659 ordinary shares of £1 each	56,861	56,861

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Financial commitments - Consolidated

At 31 December the Group's capital commitments contracted for but not provided were as follows:

	2019	2018
	€'000	€'000
Capital commitments		
Contracted for but not provided	**862**	-

The Company does not hold any financial commitment costs.

21 Contingent liabilities

The Company has entered into an unlimited cross-guarantee arrangement in respect of the borrowings of companies in the Innospec Inc. group. At 31 December 2019, the net cash position of the group under the unlimited cross-guarantee arrangement amounted to US$ 15.6 million (31 December 2018: net debt of US$ 87.8 million).

The finance facility is secured by a number of fixed and floating charges over certain assets which include key operating sites of the Innospec Inc. group.

22 Ultimate parent undertaking and controlling party

The directors regard Innospec Holdings Limited, Innospec Manufacturing Park, Oil Sites Road, Ellesmere Port, Cheshire, United Kingdom, CH65 4EY, 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.

We are carefully monitoring the situation concerning COVID-19 and any impact it may have on the business. Any such impact has been treated as a non-adjusting post balance sheet event for the purpose of considering the carrying values of assets included in the balance sheet as at 31 December 2019.

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