Innospec Performance Chemicals Europe Limited
Annual report and financial statements
for the period ended 31 December 2017

Registered number 10327773

Contents

Directors and advisers for the period ended 31 December 2017

Directors
Ian Philip Cleminson (appointed 12 August 2016)
Philip Andrew Curran (appointed 12 August 2016)
Brian Robert Watt (Company Secretary also) (appointed 12 August 2016)
Graeme Kay (appointed 12 August 2016)
Keri Louise Tither (appointed 14 November 2017)
Christopher John Parsons (appointed 12 August 2016)

Independent auditor
KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Solicitors
Mayer Brown International LLP
201 Bishopsgate
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EC2M 3AF

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

Bankers
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Registered office
Innospec Manufacturing Park
Oil Sites Road
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Cheshire
CH65 4EY

Registered number
10327773

Strategic report for the period ended 31 December 2017

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.. The Company was incorporated on 12 August 2016. As a consequence of the incorporation date, the accounts for the period ended 31 December 2017 are for a 17 month period from incorporation to 31 December 2017.

Business review

The Company develops, manufactures and sells surfactant chemicals and is part of the wider Innospec Inc. group ('Innospec Inc. group'). For the period ended 31 December 2017 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.

On December 30, 2016, the Company, as designated purchaser under an agreement between Innospec International Limited and Huntsman Investments (Netherlands) B.V. ('Huntsman'), acquired the Huntsman European Differentiated Surfactants business from Huntsman for a total adjusted consideration of €187.8m. The transaction was structured as an asset and share purchase, with the Company directly acquiring certain assets and liabilities including customer contracts, raw materials and finished goods, in addition to 100% of the shares of four European entities, three of which undertake primarily manufacturing activities located in Spain, France and Italy, and an intermediate holding company located in France. As part of the acquisition, the Company incorporated a further subsidiary in Belgium, which acquired Belgium based assets directly acquired from Huntsman as part of the transaction.

The Company acquired the business in order to continue the strategy of building presence in the Personal Care and Home Care markets which forms part of the Innospec Inc. group's Performance Chemicals segment.

The profit and loss for the period is set out on page 10. The Group has generated a profit in the period ended 31 December 2017 of €3,731,000.

Key performance indicators used by the Group are as follows:

	2017	Definition
Sales	240,550	Sales turnover (€m)
Gross margin	12.3%	Gross profit expressed as a percentage of turnover
Operating margin	(1.2)%	Operating profit/(loss) expressed as a percentage of turnover

Sales for the year amounted to €240.6m, with the majority being in Europe, Middle East and African markets. Gross profit for the year was €29.6m with gross margin at the 12.3% level. Administrative expenses (including acquisition related expenses) and selling expenses amounted to €22.5m and €10.1m respectively. As a result, operating loss for the year was €2.9m with a (1.2)% operating margin. Profit before tax for the year was €4.6m.

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

Strategic report for the period ended 31 December 2017 (continued)

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

The Group focuses on opportunities that would extend its technology base, geographical coverage or product portfolio. By focusing on the Performance Chemicals segment, in which the Group 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, and the directors expect that the present level of activities will be sustained for the foreseeable future. The directors 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 Innospec Inc. 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 2017 of the ultimate parent company, Innospec Inc., a copy of which is available from the Company website www.innospecinc.com.

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.

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.

Strategic report for the period ended 31 December 2017 (continued)

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. Where exposures are identified the Innospec Inc. Group puts in place hedging transactions between Group companies to hedge the Group's exposure with third party financial institutions.

By order of the board

Christopher John Parsons
Director
Date: 30 May 2018

Directors' report for the period ended 31 December 2017

The directors present their annual report and the audited consolidated financial statements for the 17 month period ended 31 December 2017.

Dividends
No dividend was declared by the Company in respect of the period ended 31 December 2017 and the profit will be transferred to reserves.

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.

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 period ended 31 December 2017 (continued)

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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be KPMG LLP..

By order of the board

Philip Curran
Director
Date: 30 May 2018

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

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
Audit
1 St Peter's Square
Manchester M2 3AE
United Kingdom

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

Opinion

We have audited the financial statements of Innospec Performance Chemicals Europe Limited ("the Group" and "the Company") for the 17 month period ended 31 December 2017, which comprise the consolidated Profit and loss account and statement of other comprehensive income, consolidated and company Balance sheet, consolidated and company Statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies on pages 14-32.

In our opinion 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 2017 and of its profit for the 17 month period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Antony Whittle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
Date: 31 May 2018

Consolidated profit and loss account and other comprehensive income for the 17 month period ended 31 December 2017

	Note	17 months ended 31 December 2017 €'000
Turnover	2	240,550
Cost of sales		(210,938)
Gross profit		29,612
Administrative expenses		(22,478)
Selling expenses		(10,067)
Operating loss	3	(2,933)
Interest receivable and similar income	7	11,134
Interest payable and similar expenses	8	(3,620)
Profit before taxation		4,581
Tax on profit	9	(850)
Profit for the period		3,731
Total comprehensive income for the period		3,731

The accounting policies and notes on pages 14 to 32 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 2017

	Note	Consolidated 2017 €'000	Company 2017 €'000
Fixed assets			
Goodwill	10, 11	71,551	-
Other intangible assets	10, 11	35,578	35,360
Fixed assets	12	88,498	-
Investments in subsidiary undertakings	13	-	116,751
		195,627	152,111
Current assets			
Stocks	14	19,858	16,918
Debtors	15	65,214	54,250
Cash at bank and in hand		3,913	3,080
		88,985	74,248
Creditors: amounts falling due within one period	16	(65,418)	(33,679)
Net current assets		23,567	40,569
Total assets less current liabilities		219,194	192,680
Long term liabilities	17	(158,602)	(143,890)
Net assets		60,592	48,790
Capital and reserves			
Called up share capital	19	56,861	56,861
Profit and loss account		3,731	(8,071)
Total shareholders' funds		60,592	48,790

The accounting policies and notes on pages 14 to 32 form part of these financial statements.

The financial statements on pages 10 to 32 were approved by the board of directors and were signed on its behalf by:

Philip Andrew Curran
Director
Date: 30 May 2018

Consolidated and Company statement of changes in equity

Consolidated

	Called up share capital €'000	Profit and loss account €'000	Total €'000
Upon incorporation	-	-	-
Shares issued during the period	56,861	-	56,861
Total transactions with owners recognised directly in equity	56,861	-	56,861
Profit for the period	-	3,731	3,731
Balance at 31 December 2017	56,861	3,731	60,592

Company

	Called up share capital €'000	Profit and loss account €'000	Total €'000
Upon incorporation	-	-	-
Shares issued during the period	56,861	-	56,861
Total transactions with owners recognised directly in equity	56,861	-	56,861
Loss for the period	-	(8,071)	(8,071)
Balance at 31 December 2017	56,861	(8,071)	48,790

The accounting policies and notes on pages 14 to 32 form part of these financial statements.

Consolidated Cash flow for the 17 month period ended 31 December 2017

	Note	Consolidated 2017 €'000
Cash flows from operating activities		
Profit for the year		3,731
Adjustments for:		
Tax on profit		850
Net interest expense		(7,514)
Depreciation and amortisation		17,594
Increase in trade and other debtors		(57,089)
Decrease in stocks		478
Increase in trade and other creditors		19,922
Increase in amounts owed to Innospec Group companies		10,971
Tax paid		(2,000)
Net cash used in operating activities		**(13,057)**
Cash flows from investing activities		
Acquisition of a business		(187,812)
Acquisition of tangible fixed assets		(4,230)
Acquisition of other intangible assets		(7,653)
Net cash used in investing activities		**(199,695)**
Cash flows from financing activities		
Proceeds from the issue of share capital	19	56,861
Net cash inflow from Innospec Group loan transactions		159,804
Net cash generated from financing activities		**216,665**
Cash and cash equivalents at incorporation		-
Cash and cash equivalents at 31 December, 2017		**3,913**

The accounting policies and notes on pages 14 to 32 form part of these financial statements.

Statement of accounting policies for the 17 month period ended 31 December 2017

Innospec Performance Chemicals Europe Limited ("the Company") is a private company incorporated on 12 August, 2016, domiciled and registered in England, UK. These are the first set of accounts for the Group and the Company, covering the 17 month period to 31 December, 2017.

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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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;

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's business activities, together with the factors likely to affect its future development and position, are set out in the 'Business review' section of the Strategic report on page 2.

The Company is expected to generate profits on its own account for the foreseeable future following the first period of transitional activities and costs. The Company participates in Innospec Inc.'s centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the ultimate parent Innospec Inc. to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Innospec Inc. Group to continue as a going concern or its ability to continue with the current banking arrangements.

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

Statement of accounting policies for the 17 month period ended 31 December 2017 (continued)

Basis of consolidation
The consolidated financial statements include the financial statements of the Group and Company made up to December 31, 2017. 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

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.

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 equipment	3-10 years
• Remediation costs	Life of the project

Statement of accounting policies for the 17 month period ended 31 December 2017 (continued)

Tangible fixed assets (continued)
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.

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.

Statement of accounting policies for the 17 month period ended 31 December 2017 (continued)

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.

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 17 month period ended 31 December 2017

1 Acquisition of business

On December 30, 2016, the Company acquired the European Differentiated Surfactants business from Huntsman Investments (Netherlands) B.V. for a total consideration of €187.8m. The business was acquired in order to continue the strategy of building our presence in the Personal Care and Home Care markets, which form part of our ultimate parent company's Performance Chemical segment. The business contributed revenue of €240.6m and profit for the period of €3.7m for the 17 month period ended December 31, 2017.

Effect of acquisition

	Adjusted balance sheet €'000
Consideration paid	**187,824**
Property, Plant and equipment	90,105
Intangible assets	31,743
Receivables	9,491
Inventory	20,336
Trade creditors	(8,633)
Accruals	(16,176)
Taxes payable	(4,048)
Deferred tax liability	(8,183)
Long term liabilities	(6,312)
Net assets acquired	**108,323**
Goodwill on consolidation	**79,501**

The expected useful life of goodwill stemming from this acquisition is 10 years.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

2 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:

	17 months ended 31 December 2017 €'000
Europe, Middle East and Africa	223,250
Americas	8,305
Asia Pacific	8,995
	240,550

3 Operating profit

	17 months ended 31 December 2017 €'000
Operating profit is stated after charging:	
Costs to Innospec Inc. group undertakings	2,649
Acquisition costs	3,159
Amortisation of intangible fixed assets	11,768

4 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 17 month period ended 31 December 2017 (continued)

5 Employee information and auditor remuneration

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

By activity	17 months ended 31 December 2017 No.
Production	367
Selling	27
Administrative	45
	439

The aggregate payroll costs of these persons were as follows	17 months ended 31 December 2017 €'000
Wages and salaries	22,550
Social security costs	7,773
Post retirement obligations	1,121
	31,444

Audit remuneration for the year ended 31 December 2017 has been borne by another group undertaking, Innospec Limited. The total audit fee for the companies audited with regards to the Group was €165,000.

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

6 Directors' emoluments

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.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

7 Interest receivable and similar income

	17 months ended 31 December 2017 €'000
Foreign exchange gains related to Innospec Inc. Group loans	11,073
Other interest receivable from Innospec Inc. Group undertakings	61
Total interest receivable and similar income	**11,134**

8 Interest payable and similar expenses

	17 months ended 31 December 2017 €'000
Interest payable to Innospec Inc. Group undertakings	3,620
Total interest payable and similar expenses	**3,620**

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

9 Tax on profit

Total tax expense recognised in the profit and loss account	17 months ended 31 December 2017 €'000
Current tax	
UK current tax on income for the period	(462)
Overseas current tax on income for the period	1,515
Total current tax	**1,053**
Deferred tax	
Origination and reversal of timing differences	377
Effect of change in tax rate	(580)
Total deferred tax	**(203)**
Total tax	**850**

	17 months ended 31 December 2017		
	Current tax €000	Deferred tax €000	Total tax €000
Recognised in profit and loss account	1,053	(203)	850
Total tax	**1,053**	**(203)**	**850**

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

9 Tax on profit (continued)

Analysis of current tax recognised in the profit and loss account	17 months ended 31 December 2017 €'000
UK Corporation tax	(462)
Overseas tax	1,515
Total current tax recognised in profit and loss account	**1,053**

	17 months ended 31 December 2017 €'000
Profit for the period	3,731
Total tax expense	850
Profit excluding taxation	**4,581**
Tax using UK corporation tax rate of 19.47%	892
Effects of:	
Expenses not deductible	579
Income not taxable	(2,766)
Goodwill amortisation	1,548
Differences between overseas tax rates	1,177
Adjustments in respect of deferred tax	(580)
Total tax expense recognised in profit and loss	**850**

Factors that may affect future tax charges
The UK corporation tax ratefor the period to 31 March 2017 was 20%. A reduction in the UK corporation tax rate from 20% to 19%, with effect from 1 April 2017, was enacted in October 2015. A further reduction from 19% to 17%, effective from 1 April 2020, was subsequently enacted in September 2016. This will reduce the company's future tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated using a blended tax rate based on the date the deferred tax position is expected to reverse.

During the year beginning 1 January 2018, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by €173,000.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

10 Intangible assets - Consolidated

	Goodwill	Customer Lists	ERP	Other	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At incorporation		-	-	-	-
Acquisitions	79,501	31,743	-	-	111,244
Additions	-	3,600	3,517	536	7,653
Exchange rate movements	-	-	-	-	-
At 31 December 2017	**79,501**	**35,343**	**3,517**	**536**	**118,897**
Accumulated amortisation					
At incorporation	-	-	-	-	-
Charge for the period	(7,950)	(3,200)	(300)	(318)	(11,768)
At 31 December 2017	**(7,950)**	**(3,200)**	**(300)**	**(318)**	**(11,768)**
Net book value	**71,551**	**32,143**	**3,217**	**218**	**107,129**

Reconciliation of amortisation recognised in the profit and loss account.

	2017
	€'000
Administrative expenses	**(11,768)**
Total	**(11,768)**

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. Amortisation is being charged to the profit and loss account on a straight-line basis over a period of 10 years.

The Goodwill is accordingly the excess of the purchase consideration over the fair value of the assets acquired (note 1).

The Company paid €3.5 million in respect of the costs associated with the implementation 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.

On August 9, 2017, the Company acquired an intangible asset from Huntsman Holland B.V. for €3.6 million in respect of long-term customer and distributor relationships in ASPAC and America. Amortisation is being charged to the profit and loss account on a straight-line basis over a period of 10 years.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

11 Intangible assets - Company

	Customer Lists €'000	Patents €'000	ERP €'000	Total €'000
Cost				
At incorporation	-	-	-	-
Acquisitions	-	11,372	-	11,372
Additions	35,343	-	3,517	38,860
At 31 December 2017	**35,343**	**11,372**	**3,517**	**50,232**
Accumulated amortisation				
At incorporation	-	-	-	-
Charge for the period	(3,200)	-	(300)	(3,500)
Impairment charge for the period	-	(11,372)	-	(11,372)
At 31 December 2017	**(3,200)**	**(11,372)**	**(300)**	**(14,872)**
Net book value	**32,143**	-	**3,217**	**35,360**

During the year the directors reviewed the carrying value of the acquired patents and concluded that the asset had nil value and accordingly the asset has been impaired.

Reconciliation of amortisation recognised in the profit and loss account.

	2017 €'000
Administrative expenses	(3,500)
Total	**(3,500)**

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 €3.5 million in respect of the costs associated with the implementation of a new Global 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.

On August 9, 2017, the Company acquired an intangible asset from Huntsman Holland B.V. for €3.6 million in respect of long-term customer and distributor relationships in ASPAC and America. Amortisation is being charged to the profit and loss account on a straight-line basis over a period of 10 years.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

12 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 incorporation	-	-	-	-	-
Acquisitions	2,341	23,289	59,373	5,102	90,105
Additions	-	650	1,804	4,116	6,570
Transfers	-	-	-	(2,340)	(2,340)
Disposals	-	(10)	(84)	-	(94)
At 31 December 2017	**2,341**	**23,929**	**61,093**	**6,878**	**94,241**
Accumulated depreciation					
At incorporation	-	-	-	-	-
Charge for the year	-	(788)	(5,038)	-	(5,826)
Eliminated on disposal	-	5	78	-	83
At 31 December 2017	-	**(783)**	**(4,960)**	-	**(5,743)**
Net book value	**2,341**	**23,146**	**56,133**	**6,878**	**88,498**

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 17 month period ended 31 December 2017 (continued)

13 Investments in subsidiary undertakings – Company

	€'000
Cost on incorporation	-
Acquisition	116,751
Net book amount	**116,751**
At 31 December 2017	**116,751**

The company's subsidiary undertakings at 31 December 2017 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 17 month period ended 31 December 2017 (continued)

14 Stocks

	Consolidated 2017 €'000	Company 2017 €'000
Raw materials, consumables and intermediates	6,159	6,090
Finished goods	10,217	10,828
Engineering spares	3,482	-
	19,858	16,918

15 Debtors

	Consolidated 2017 €'000	Company 2017 €'000
Amounts falling due within one period:		
Trade debtors	45,990	45,202
Value added tax	16,919	8,315
Corporation tax debtor	947	452
Prepayments and accrued income	1,358	281
	65,214	54,250

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

16 Creditors: amounts falling due within one period

	Consolidated 2017 €'000	Company 2017 €'000
Trade creditors	28,543	25,003
Other creditors	4,300	-
Amounts owed to Innospec Inc. Group undertakings	10,971	-
Accruals and deferred income	13,624	4,524
Deferred tax	7,980	4,152
	65,418	33,679

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 2017 €'000	Company 2017 €'000
On incorporation	-	-
Acquired	8,183	4,684
Transfer to profit and loss account	(203)	(532)
As at 31 December 2017	7,980	4,152

The deferred tax balance comprises:

	Consolidated 2017 €'000	Company 2017 €'000
Accelerated capital allowances	11,642	-
Short term timing differences	1,294	(707)
Intangible assets	4,845	4,859
Leaving indemnity	(568)	-
Tax losses	(9,233)	-
Deferred tax liability	7,980	4,152

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

17 Long term liabilities Consolidated

	Consolidated	Company
	2017	2017
Total Costs	€'000	€'000
Amounts owed to Innospec Inc. Group undertakings	152,290	143,890
Remediation Costs	2,341	-
Leaving Indemnity	3,971	-
At 31 December 2017	**158,602**	**143,890**

The Company does not hold any remediation or post retirement obligation costs.

Remediation Costs	€'000
At incorporation	-
On acquisition	2,341
At 31 December 2017	**2,341**

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	€'000
Within one year	-
Within two to five years	-
After five years	2,341
	2,341

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.

Post Retirement Obligation Costs	€'000
At incorporation	-
On acquisition	3,971
At 31 December 2017	**3,971**

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.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

18 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated 2017 €'000	Company 2017 €'000
Less than one year	496	-
Between one and five years	1,322	-
	1,818	-

During the period €526,000 was recognised as an expense in the profit and loss account in respect of operating leases.

19 Called up share capital

	Company 2017 €'000
Allotted, called up and fully paid	
48,931,659 ordinary shares of £1 each	56,861

During the period 48,931,659 ordinary shares of £1 each were issued for cash consideration.

20 Financial commitments - Consolidated

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

	2017 €'000
Capital commitments	
Contracted for but not provided	6,878

The Company does not hold any financial commitment costs.

Notes to the financial statements for the 17 month period ended 31 December 2017 (continued)

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 2017, the net debt position of the group under the unlimited cross-guarantee arrangement amounted to US$ 134.1 million (31 December 2016: net debt of US$ 166.9 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 Company is a subsidiary undertaking of Innospec Inc. 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 largest group into which the results of the Company and its group are consolidated. No other group financial statements include the results of the Company.

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.