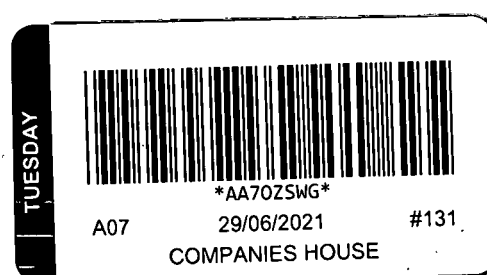


Innospec Performance Chemicals Europe Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number 10327773



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Directors and advisers for the year ended 31 December 2020

Directors

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

Independent auditors

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

Solicitors

Mayer Brown International LLP
201 Bishopsgate
London
EC2M 3AF

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

Bankers

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

Registered office

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

Registered number

10327773

Strategic report for the year ended 31 December 2020

Principal activities

The principal activity of Innospec Performance Chemicals Europe Limited ('the Company') during the year 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 and sells surfactant chemicals and is part of the wider Innospec Inc. group (the 'Group'). For the year ended 31 December 2020 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 15. The Company has generated a profit in the year ended 31 December 2020 of €11.8m (2019: €4.7m).

Key performance indicators used by the Company are as follows:

	12 months ended 31 December 2020	12 months ended 31 December 2019	Definition
Sales	220.1	225.4	Sales turnover (€'m)
Gross margin	12.6%	9.8%	Gross profit expressed as a percentage of turnover
Operating margin	7.5%	4.1%	Operating profit expressed as a percentage of turnover

Sales for the year amounted to €220.1m (2019: €225.4m), with the majority being in Europe, Middle East and African markets. Gross profit for the year was €27.8m (2019: €22.2m) with gross margin at the 12.6% (2019: 9.8%) level. Administrative expenses amounted to €11.3m (2019: €13.0m). As a result, operating income for the year was €16.4m (2019: €14.6m) with a 7.5% (2019: 4.1%) operating margin. Profit before tax for the year was €13.2m (2019: profit of €5.2m).

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

At 31 December 2020 the Company had net assets of €54.7m (31 December 2019: €42.9m).

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

Strategy

The 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 Company also actively continues to assess potential strategic acquisitions, partnerships and other opportunities that would enhance and expand customer offerings.

The Company focuses on opportunities that would extend its technology base, geographical coverage or product portfolio. By focusing on the Performance Chemicals segment, in which the Company 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 year end financial position were satisfactory. The directors expect a continuing 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 Company.

Principal risks and uncertainties

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

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

Brexit

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

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

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

REACH

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

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

REACH (continued)

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

Covid-19

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

The impact of COVID-19, as well as future pandemics or resurgences, may also exacerbate other risks discussed herein, any of which could have a material effect on us. This situation is changing rapidly and additional impacts that may occur are currently unknown.

This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

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

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.

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

Companies Act 2006 S172 (continued)

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 Group provides all investors with equal access to relevant information.

Health, Safety and the Environment

The Company is committed to the protection of the environment, the safe supply of its products and the health and safety of its employees and others who may be affected by the Company's activities. This is achieved by the provision and maintenance, as far as is reasonably practicable, of safe plant, group policies, procedures and systems at work. The Company seeks to use resources as efficiently as possible and to minimize the impact of its operations on the environment, with a particular focus on: reducing Greenhouse Gas (GHG) emissions, energy use, water use, waste generation and safe chemical management. The Company ensures that there are effective methods of consultation and communication of health, safety and environmental issues with employees across the organisation. The Company is committed to legal compliance as a minimum acceptable standard while striving to achieve best industry practices, and to continuous improvement of its support systems and the quality of their application.

Streamlined Energy and Carbon Reporting (SCER) Disclosure 2020 Performance Summary

Manufacturing (Scope 1 and 2)	2020	2019	2018
Scope 1 (tonnes CO _{2eq})	27,193	26,102	27,728
Scope 2 (tonnes CO _{2eq})	-	9,411	9,394
Total scope 1 & 2 (tonnes CO_{2eq})	27,193	35,513	37,122
Intensity ratio (tonnes CO_{2eq} per tonne of production)	0.081	0.099	0.104
Total energy (kWh)	191,910,483	186,037,644	194,639,903

Methodology

- Innospec calculates its emissions using the reporting year's UK DEFRA and IEA emission conversion factors for greenhouse gas reporting. The reporting of scope 1 and 2 emissions is in line with the GHG Protocol Standard.
- Scope 1 covers direct combustion of fuels, fugitive emissions and onsite transport. Emissions linked to our minimal use of refrigerants is predominantly in air conditioning units and are considered not to be material.

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

Methodology (continued)

- Scope 2 covers emissions from electricity purchased for own use. Emission factors in line with the GHG Protocols Scope 2 Guidance for Market Based reporting have been used for the reported years. In 2020, the company procured 100% renewable electricity resulting in a declaration of no scope 2 emissions for this reporting year. No steam was purchased for own use in the reported years.
- There were no journeys starting, ending or both starting and ending in the United Kingdom where IPCEL supplied the fuel for business purpose.
- For manufacturing we have used an intensity ratio based on production (per tonne of product produced). This aligns with our long-standing reporting of manufacturing performance emissions.
- Energy consumption data is captured through utility billing.
- Our approach is assured to AA1000 by an independent third party; Jacobs. Our assurance statement can be found in our Corporate Annual Responsible Business Report <https://innospecsustainability.com/>.

Energy Efficiency narrative 2020

Energy efficiency has been a long-standing focus of Innospec's manufacturing facilities. Our total energy consumption has decreased by 1.4% since our baseline SECR reporting year of 2018. The total intensity ratio has decreased by 23% for the same year.

From the 1 January 2020, all Innospec manufacturing facilities switched to the purchase of 100% renewable electricity. This has reduced the Company's total Scope 1 and 2 emissions in 2020 by 25%.

During 2020, a range of energy reduction and efficiency projects have been implemented globally across our manufacturing facilities, achieving a total energy saving of 2,173 MWh and reduction in our total group Scope 1 emissions by 204 metric tonnes CO₂ equivalent. This included improvements to the air compressor efficiency, which will reduce electricity demand by 85,000 kWh a year and upgrades to storage tank insulation systems which will save 140,160 kWh of gas per year. Upgrades made to an Ecodrier system, reduces the energy consumption per tonne of dried product, saving of 350,000 kWh per year. Improvements made to the bio plant heating system have resulted in a saving of 500,000 kWh of gas per year. Outdoor lighting rationalization and replacement with LED lights resulted in a saving of 30,550 kWh per year.

Financial risk management

The Company'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 Company offers fixed prices for some long-term sales contracts which exposes the Company 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 Company has no external debt. Liquidity risk is managed at Group level with a mixture of long-term and short-term debt designed to ensure that all Group companies have sufficient funds available for operations.

Market risk

Market risk is managed at Group level using derivatives 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 Group enters into derivative instruments with a diversified group of major financial institutions in order to manage the exposure to non-performance of such instruments. The Company does not hold any derivative instruments.

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

Financial risk management (continued)

Foreign exchange risk

The primary foreign currencies in which the Group has exchange rate fluctuation exposure are the 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



Graeme Thomas Blair
Director
Date: June 22, 2021

Directors' report for the year ended 31 December 2020

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

Dividends

No dividend was declared by the Company in respect of the year ended 31 December 2020 (2019: €nil).

Directors

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

Qualifying third party indemnity

The Group maintains liability insurance for its directors and officers. The Company has also continued to provide an indemnity during the year and up to date of these financial statements 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 year the Company made no political donations (2019: €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. All costs have been borne by subsidiary undertakings.

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 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 2020 (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 auditors

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

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

By order of the board



Graeme Thomas Blair
Director
Date: June 22, 2021

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

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

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Innospec Performance Chemicals Europe Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulations which govern the preparation of financial statements, taxation and environmental regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations;
- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, unusual words and unusual users.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

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

	Note	2020 €'000	2019 €'000
Turnover	1	220,100	225,442
Cost of sales		(192,312)	(203,286)
Gross profit		27,788	22,156
Administrative expenses		(11,345)	(12,975)
Operating profit	2	16,443	9,181
Interest receivable and similar income	6	-	10
Interest payable and similar expenses	7	(3,271)	(3,997)
Profit before taxation		13,172	5,194
Tax on profit	8	(1,400)	(1,968)
Profit and total comprehensive profit for the financial year		11,772	3,226

The accounting policies and notes on pages 18 to 29 form part of these financial statements.

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

Balance sheet as at 31 December 2020

	Note	2020 €'000	2019 €'000
Fixed assets			
Other intangible assets	9	23,189	27,619
Fixed assets	10	278	-
Shares in group undertakings	11	110,742	116,751
		134,209	144,370
Current assets			
Stocks	12	15,238	16,890
Debtors	13	47,447	44,332
Cash at bank and in hand		1,010	5,768
		63,695	66,990
Creditors: amounts falling due within one year	14	(45,839)	(48,651)
Net current assets		17,856	18,339
Total assets less current liabilities		152,065	162,709
Creditors: amounts falling due after more than one year	15	(97,365)	(119,781)
Net assets		54,700	42,928
Capital and reserves			
Called up share capital	16	56,861	56,861
Profit and loss account		(2,161)	(13,933)
Total shareholders' funds		54,700	42,928

The accounting policies and notes on pages 18 to 29 form part of these financial statements.

The financial statements on pages 15 to 29 were approved by the board of directors and were signed on its behalf by:



Graeme Kay
Director
Date: June 22, 2021

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

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

	Called up share capital €'000	Profit and loss account €'000	Total €'000
As at 1 January 2020	56,861	(13,933)	42,928
Profit for the financial year	-	11,772	11,772
At 31 December 2020	56,861	(2,161)	54,700

The accounting policies and notes on pages 18 to 29 form part of these financial statements.

Statement of accounting policies for the year ended 31 December 2020

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

Basis of accounting

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

The 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 financial statements have been applied:

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

As 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.

- 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.

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

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 historical cost basis except the acquired intangible assets which were stated at their fair value on acquisition.

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

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 year 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 year.

Innospec Inc. has indicated its intention to continue to make available such funds as are needed by the Company for the year 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 2020 amounted to €97.4m (2019: €119.8m) or the year covered by the forecasts.

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

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 year 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.

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:

- fixtures and fittings 5 years

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.

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.

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

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.

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 year in which they arise.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

1 Turnover

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

	2020 €'000	2019 €'000
Europe, Middle East and Africa	200,388	210,697
Americas	9,825	5,678
Asia Pacific	9,887	9,067
	220,100	225,442

2 Operating profit

	2020 €'000	2019 €'000
Operating profit is stated after charging:		
Costs recharged from Innospec Inc. group undertakings	3,437	5,449
Audit fees	188	172
Non audit fees	25	-
Amortisation of intangible fixed assets	4,469	4,479
Depreciation	55	-

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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 2020 (continued)

4 Employee information

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

The key management personnel are seconded to the Company from Innospec Limited. The cost of all employees who are operating the business are being recharged to the Company from Innospec Limited.

5 Directors' remuneration

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

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

6 Interest receivable and similar income

	2020 €'000	2019 €'000
Other interest receivable from Innospec Inc. group undertakings	-	10
Total interest receivable and similar income	-	10

7 Interest payable and similar expenses

	2020 €'000	2019 €'000
Foreign exchange losses related to Innospec Inc. group loans	1,466	924
Interest payable to Innospec Inc. group undertakings	1,805	3,073
Total interest payable and similar expenses	3,271	3,997

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

8 Tax on profit

	2020	2019
	€'000	€'000
Total tax expense recognised in the profit and loss account		
Current tax		
UK current tax on income for the year	3,197	3,044
Adjustments in respect of prior year	(1,596)	(654)
Total current tax	1,601	2,390
Deferred tax		
Origination and reversal of timing differences	(201)	(422)
Total deferred tax	(201)	(422)
Total tax	1,400	1,968
	2020	2019
	€'000	€'000
Profit for the year	11,772	3,226
Total tax expense	1,400	1,968
Profit excluding taxation	13,172	5,194
Tax using UK corporation tax rate of 19% (2019: 19%)	2,503	987
Effects of:		
Expenses not deductible	69	82
Remeasurement deferred tax liability at the average rate	424	49
Adjustments in respect of prior year	(1,596)	850
Total tax expense recognised in profit and loss	1,400	1,968

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%, was enacted in September 2016, which would have been effective from 1 April 2020 and would have reduced the Company's future tax charge accordingly. Therefore, the Company's deferred tax assets and liabilities at 31 December 2019 were calculated using a rate of 17%. However, Finance Act 2020 reversed this reduction and the UK corporation tax rate remained at 19%; this was substantively enacted on 17 March 2020, so was not considered in calculating the company's deferred tax assets and liabilities for 2019 but was considered in calculating the company's deferred tax assets and liabilities for 2020.

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

Factors that may affect future tax charges (continued)

On 3 March 2021, the UK Chancellor of the Exchequer announced that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023, which will increase the Company's future tax charge accordingly. As the legislation implementing this increase in the UK corporation rate was substantively enacted on 24 May 2021, it has not been considered in calculating the company's deferred tax assets and liabilities as at 31 December 2020.

9 Intangible assets

	Customer Lists €'000	Patents €'000	ERP €'000	Total €'000
Cost				
At 1 January 2020	35,343	11,372	4,777	51,492
Additions in the year	-	-	39	39
At 31 December 2020	35,343	11,372	4,816	51,531
Accumulated amortisation				
At 1 January 2020	(10,269)	(11,372)	(2,232)	(23,873)
Charge for the year	(3,535)	-	(934)	(4,469)
At 31 December 2020	(13,804)	(11,372)	(3,166)	(28,342)
Net book value 2020	21,539	-	1,650	23,189
Net book value 2019	25,074	-	2,545	27,619

Reconciliation of amortisation recognised in the profit and loss account.

	2020 €'000	2019 €'000
Administrative expenses	934	944
Selling expenses	3,535	3,535
Total	4,469	4,479

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 10 years.

The Company paid €4.8m 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 5 years.

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

10 Tangible assets

	Fixtures and Fittings €'000	Total €'000
Cost		
At 1 January 2020	-	-
Additions in the year	333	333
At 31 December 2020	333	333
Accumulated depreciation		
At 1 January 2020	-	-
Charge for the year	(55)	(55)
At 31 December 2020	(55)	(55)
Net book value 2020	278	278
Net book value 2019	-	-

11 Shares in group undertakings

	€'000
Cost and net book value at 31 December 2020	110,742
Cost and net book value at 31 December 2019	116,751

The reduction in the carried value of the subsidiary undertaking relates to the settlement of tax for years prior to the acquisition by Innospec Performance Chemicals Europe Limited.

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

11 Shares in group undertakings (continued)

The company's subsidiary undertakings at 31 December 2020 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

12 Stocks

	2020 €'000	2019 €'000
Raw materials, consumables and intermediates	4,677	5,757
Finished goods	10,561	11,133
	15,238	16,890

The write-down of stocks to net realisable value amounted to €nil (2019: €1.1m).

13 Debtors

	2020 €'000	2019 €'000
Amounts falling due within one year:		
Trade debtors	32,912	36,538
Amounts owed by group undertakings	2,329	-
Value added tax	11,901	7,459
Prepayments and accrued income	305	335
	47,447	44,332

Amount owed by group undertaking are unsecured, repayable on demand and bear interest at rates up to LIBOR plus 2%.

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

14 Creditors: amounts falling due within one year

	2020 €'000	2019 €'000
Trade creditors	20,278	19,525
Amounts owed to group undertakings	15,325	19,920
Corporation tax creditor	4,716	3,124
Deferred tax	3,400	3,601
Accruals and deferred income	2,120	2,481
	45,839	48,651

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:

	2020 €'000	2019 €'000
At 1 January	3,601	4,023
Transfer to profit and loss account (note 8)	(201)	(422)
As at 31 December	3,400	3,601

The deferred tax balance comprises:

	2020 €'000	2019 €'000
Intangible assets	3,620	3,779
Short term timing differences	(220)	(178)
Deferred tax liability	3,400	3,601

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

15 Creditors: amounts falling due after more than one year

	2020 €'000	2019 €'000
Amounts owed to group undertakings	97,365	119,781

These designated long-term loans bear interest at LIBOR plus 2% and are repayable on 30 December 2022.

16 Called up share capital

	2020 €'000	2019 €'000
Allotted, called up and fully paid		
48,931,659 (2019: 48,931,659) ordinary shares of £1 each	56,861	56,861

17 Financial commitments

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

	2020 €'000	2019 €'000
Capital commitments		
Contracted for but not provided	-	-

The Company does not hold any financial commitment costs.

18 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 2020, the Group was in a net cash position and had no borrowing under the unlimited cross-guarantee arrangement amounted to US\$ 104.7m (31 December 2019: net cash of US \$15.6m).

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

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

19 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.

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.