**MacDermid Autotype Limited**

# Directors' report and financial statements

Registered number 192795

For the year ended 31 December 2012

# Contents

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

**Principal activities and business review**

The company's principal activity is the manufacture and marketing of high technology specialised coated films and associated chemicals for the electronics industry and for the screen printing process used in a wide range of industries

The profit and loss account for the year is set out on page 11

**Business review**

The Company's 2012 sales were 6 2% below the record level achieved in 2011

Direct sales to third parties were down 13 5% Sales to Europe fell 18%, including 6 6% due to the decline in the value of the Euro v the GB Pound Print related sales were down 8%, reflecting the mature nature of that market High performance films including our hard coated films and IMD films were down 15% as production of electrical equipment in Europe weakened and European vehicle sales declined

Sales to the Company's sister company, MacDermid Autotype Inc rose by 7% Over the last 3 years MacDermid Autotype Inc has successfully built up sales of Wantage manufactured products

Sales to the Company's Asian subsidiary grew by 6%, reflecting a 5% increase in that company's turnover Sales of hardcoated and printing films both grew in the year

The company continues to invest in its research and development activities, with spend rising by 13% R&D spend is now at 4 8% of turnover

The gross profit margin fell by 2 1% to 28 0% The main driver of this was the reduced turnover level against the relatively high proportion of manufacturing costs that are fixed for small changes in volumes Operating profit of £2 4 million, was 6 3% of sales Pre-tax profit of £3 4 million, was 48% below 2011 Dividends received from our Asian subsidiary were £1 2 million lower than the previous year, which had included a higher than average dividend income

The Company has a policy of hedging its US$ receivables up to 12 months ahead, via its parent group, and it has cover for $15 million in place for 2013

Our focus continues to be to bring innovative new products to market quickly, to ensure that we grow our sales and gain improved margins on those new sales In Q2 2013 we launched an improved version of our IMD films that has a lower production cost

The Company declared £2 0 million of dividends The Company is strongly placed to continue its policy of investment in building new revenue and profit streams to grow the business faster than the underlying market trends We are investing particularly in 2013 to continue growing our automotive IMD business globally

Trading conditions in 2013 are similar to those in 2012, with the company's markets in the Eurozone still being impacted by the lack of economic confidence After 7 months, turnover in 2013 is approximately 1% above the same point in 2012 The company remains profitable having made over £2 3 million of pre-tax profit in that period We look forward with confidence that we have a strong team and attractive opportunities for growth through innovation and market development

# Directors' report *(continued)*

## Key performance indicators (KPI's)

The Company uses many measures of its business performance It regards some of its KPI's as commercially confidential, particularly as the majority of its competitors are businesses based outside of the EU Its competitors are not therefore required to publish similar information by their governments Accordingly it will not be publishing KPI's that indicate, inter alia, the volume of film it produces

### *KPI's Safety*

The company treats the health and safety of its employees, customers and other stakeholders as being its principal priority

| | **2012** | 2011 |
|---|---|---|
| Number of reportable 'lost time' accidents (RIDDOR) | **2** | 3 |
| Number of working days lost due to accidents | **53** | 19 |
| Number of accidents requiring First Aid treatment | **27** | 38 |

The Company's lost time accident incident rate (the number of lost time accidents per 100,000 employees) was 758 *(2011 1,158)* The number of minor injury accidents in 2012 was similar to 2011 Included therein was an increase in accidents requiring first aid from 8 to 15, but that level remains at less than a quarter of those sustained in 2001

### *KPI's Financial*

| | **2012** | 2011 |
|---|---|---|
| Gross profit | **28.0%** | 30 1% |
| Sales per employee | **£140,286** | £149,558 |
| Debtor days sales outstanding<br>(Trade debtors, including intra-group trading debtors, divided by sales and multiplied by the number of days in the accounting period 2012 366 days (*2011 365*)) | **29** | 41 |
| Days inventory on hand<br>(Inventory divided by cost of sales multiplied by the number of days in the accounting period) | **71** | 68 |
| Return on capital employed<br>(Profit on ordinary activities after taxation as a percentage of year end net assets) | **20 5%** | 44 8% |

# Directors' report *(continued)*

## Key performance indicators (KPI's) *(continued)*

### *KPI's Environmental*

The Company is accredited to ISO 14001 Environment Management Standard and has achieved that Standard for its environmental management system since 1996

The Company uses Volatile Organic Compounds (VOC's) in some of its coating and chemical production processes It uses abatement technology, where practicable, to reduce emissions of VOC's to the atmosphere

KPI's for Volatile Organic Compounds

| | **2012** | 2011 |
|---|---|---|
| VOC emissions as a percentage of use | **2.3%** | 2 2% |
| VOC emissions (tonnes) | **18** | 19 |
| VOC volume abated/recovered (tonnes) | **227** | 231 |

### *Energy usage*

The Company is a member of a Climate Change Levy Scheme (CCLS) and invests in energy saving technology, where practicable It also encourages its staff to use energy wisely

It measures its energy usage in kilowatt hours per square metre of coated film produced in accordance with the rules of its CCLS

KPI's for Energy usage

| | **2012** | 2011 |
|---|---|---|
| Energy used per square metre of coated film produced (kwh/m²) | **3.23** | 3 12 |

The energy use per square metre has risen by 0 11

### Waste and recycling

The company seeks to minimise the level of waste that it sends to landfill and recycles the by-products of its processes where practicable In 2012 the company succeeded in its aim of sending zero solid waste to landfill

# Directors' report *(continued)*

## Key performance indicators (KPI's) *(continued)*

### *KPI's for waste and recycling*

| | 2012 | 2011 |
|---|---|---|
| Percentage of solid waste sent to landfill | - | - |
| Percentage of solid waste sent to energy conversion | - | - |
| Percentage of solid waste sent to recycling or reuse | 100% | 100% |

### *KPI's for water use and effluent produced*

| | 2012 | 2011 |
|---|---|---|
| Water usage (thousand tonnes) | 25.4 | 24 3 |
| Effluent produced (thousand tonnes) | 13.7 | 11 3 |

## Human capital KPI's

The company monitors a number of KPI's regarding its staff These include

| | 2012 | 2011 |
|---|---|---|
| Average days lost to sickness as percentage of working days | 2.63% | 2 32% |
| Annual labour turnover as a percentage of total employees | 4 53% | 2 67% |
| Female employees as a percentage of total employees | 19.9% | 19 5% |

Age distribution of employees

| | 2012 | 2011 |
|---|---|---|
| 29 years or under | 7.9% | 7 5% |
| 30 to 39 years | 15 4% | 18 8% |
| 40 to 49 years | 34 9% | 33 5% |
| 50 to 59 years | 29.7% | 30 0% |
| 60 years and above | 12 1% | 10 2% |

## Financial risk management

The Company uses various financial instruments These include inter-company loans, cash, equity investments, and various items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the Company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk The Directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

## Market risk

Market risk encompasses three types of risk being currency risk, fair value interest rate risk and price risk The Company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below

# Directors' report *(continued)*

### Currency risk

The Company is exposed to translation and transaction foreign exchange risk

About 37% of the Company's sales are to customers in Europe These sales are priced in Euros The Company's policy is to reduce Euro currency exposure by purchasing as much as practicable of materials and expenses with items denominated in the Euro

About 42% of the Company's sales are to customers who are priced in US dollars It is not practicable for the Company to purchase any significant value of its material requirements in US dollars The majority of its suppliers produce their materials within the EU and do not wish to sell to the Company in US dollars The Company's parent MacDermid Holdings LLC agreed that the parent company would take forward currency contracts of $19 million at an average exchange rate of $1 593=£, to hedge the Company's dollar rate exposure The parent has taken forward contracts for 2013 of $15 million at an average rate of $1 589=£

The tables below show the extent to which the Company has residual financial assets and liabilities in currencies other than sterling Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Company

| | **Net foreign currency monetary asset/(liability)** | | | |
|---|---|---|---|---|
| Functional currency of operations | Euro | US Dollar | Other currencies | Total |
| | £000 | £000 | £000 | £000 |
| 2012 | | | | |
| Sterling | **1,037** | **920** | **41** | **1,998** |
| 2011 | | | | |
| Sterling | 1,192 | 1,673 | 38 | 2,903 |

### Interest rate risk

The Company finances its operations through its capital and retained profits Surplus cash (after dividend payments) is loaned to its parent company

### Price risk

The Company's exposure to risk consists mainly of movements in the price of its raw materials The Company has a good record of being able to recover increases in its raw materials costs, by increasing its selling prices

### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs

The company's funding need is managed through its retained earnings

The company has access to a shared overdraft facility which it uses very rarely to meet short-term fluctuations in cash requirements The company's direct exposure to movements in short-term interest rates is low

### Credit risk

The Company's principal financial assets are cash and trade debtors The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises therefore from its trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit agency references Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history

There was no significant concentration of credit risk with any individual customers

# Directors' report *(continued)*

### Going concern basis

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 Directors' Report on pages 1 to 5

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in the group's treasury arrangements and so shares banking arrangements with its parent and some fellow subsidiaries

The directors, having assessed the responses of the company's parent MacDermid Holdings LLC to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the MacDermid 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 MacDermid Holdings LLC, the company's directors have a reasonable expectation that the company has adequate resources 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

### Results and dividends

The directors recommend that no final ordinary dividend be paid in respect of the year ended 31 December 2012 *(2011 £Nil)*

Interim dividends of £2 0 million *(2011 £7 0 million)* have been paid in this year

### Directors

The directors who served during the year were as follows

DM Curtis
PD Levinsohn
JL Cordani
L Phasey
R Richards

### Health, safety and environment

The health and safety of the company's employees and customers, and the minimisation of the impact of the company's activities on the environment are prime concerns in decision making

### Research and development

The company attributes much of its success to the work of its Research & Technical Department It will continue its ongoing research into both new products and processes, and into the development of existing processes

### Creditor payment policy

The company's current policy concerning payments to suppliers of goods and services is to pay in accordance with agreed or customary terms and its practice is to adhere to these terms

The company's average creditor payment period at 31 December 2012 was 47 days *(2011 46 days)*

### Donations

The company made charitable donations amounting to £375 for the year ended 31 December 2012 *(2011 £307)* The company made no political donations during the year

# Directors' report *(continued)*

**Employment of disabled persons**

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability

**Employment policies**

The company is fully aware of and takes seriously its responsibility to keep all employees informed on all matters of concern to them, and to consult them so that their views can be taken into account when making decisions likely to affect their interests This is achieved by using both informal and formal methods Formal methods consist of regular monthly and quarterly briefing groups which are held at all levels throughout the company, and by the regular meetings of the Employee Council

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves 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 re-appointed and KPMG LLP will, therefore, continue in office

On behalf of the board

**DM Curtis**
*Company Secretary*

Grove Road
Wantage
OX12 7BZ

12 September 2013

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, 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 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 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
One Snowhill
Snow Hill Queensway
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B4 6GH
United Kingdom

# Independent auditor's report to the members of MacDermid Autotype Limited

We have audited the financial statements of MacDermid Autotype Limited for the year ended 31 December 2012 set out on pages 11 to 23 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

**Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditors' report to the members of MacDermid Autotype Limited *(continued)*

**Matters on which we are required to report by exception**

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

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

**Simon Purkess (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants* 12 September 2013

# Profit and loss account
*for the year ended 31 December 2012*

| | Note | 2012 £000 | 2011 £000 |
|---|---|---|---|
| Turnover | 2 | **37,737** | 40,231 |
| Cost of sales | | **(27,171)** | (28,127) |
| **Gross profit** | | **10,566** | 12,104 |
| Distribution and marketing costs | | **(4,429)** | (4,261) |
| Administration expenses | | **(3,704)** | (3,490) |
| Other operating income | | **114** | 625 |
| Other operating expense | | **(175)** | - |
| **Operating profit** | 3 | **2,372** | 4,978 |
| Dividend receivable from subsidiary undertaking | | **960** | 2,131 |
| Interest payable and similar charges | 4 | **(1)** | (2) |
| Interest receivable | 5 | **103** | 102 |
| **Profit on ordinary activities before taxation** | | **3,434** | 7,209 |
| Tax on profit on ordinary activities | 7 | **(545)** | (1,308) |
| **Profit for the financial year** | 17 | **2,889** | 5,901 |

During the year ending 31 December 2012, the company paid a dividend of £2,000,000 to its parent company *(2011 £7,000,000)*

All of the activities of the company in both the current and preceding periods are classed as continuing

There is no difference between the profit or loss on ordinary activities before taxation and the retained profit for the years stated above, and their historical cost equivalents

The company has no recognised gains or losses in either the current or preceding period other than the results for the year as set out above

# Balance sheet
*at 31 December 2012*

| | Note | 2012 £000 | £000 | 2011 £000 | £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 3,154 | | 3,246 |
| Investments | 10 | | 1,000 | | 1,000 |
| | | | 4,154 | | 4,246 |
| **Current assets** | | | | | |
| Stocks | 11 | 5,280 | | 5,253 | |
| Debtors | 12 | 8,834 | | 9,398 | |
| Cash at bank and in hand | | 561 | | 632 | |
| | | 14,675 | | 15,283 | |
| **Creditors:** Amounts falling due within one year | 13 | (4,525) | | (6,025) | |
| **Net current assets** | | | 10,150 | | 9,258 |
| **Total assets less current liabilities** | | | 14,304 | | 13,504 |
| **Creditors:** Amounts falling due after more than one year | 14 | | (236) | | (325) |
| **Net assets** | | | 14,068 | | 13,179 |
| **Capital and reserves** | | | | | |
| Called up equity share capital | 16 | | 14 | | 14 |
| Profit and loss account | 17 | | 14,054 | | 13,165 |
| **Shareholders' funds** | 18 | | 14,068 | | 13,179 |

These financial statements were approved by the board of directors on 12 September 2013 and were signed on its behalf by

**PD Levinsohn**
*Director*

**DM Curtis**
*Director*

Company number 192795

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

***Basis of accounting***

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice

***Going concern***

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors

***Consolidation***

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group Copies of the consolidated financial statements including the Company and its Group are available from the address in note 22

***Turnover***

Turnover represents amounts receivable for goods net of VAT Turnover is recognised when the risks and rewards of ownership are transferred to customers

***Government grants***

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate

***Research and development***

All expenditure on research and development is charged against the profits of the year in which it is incurred

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

***Fixed assets and depreciation***

Tangible fixed assets are stated at cost less depreciation Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets over their expected useful economic life as follows

| | | |
|---|---|---|
| Plant and machinery | - | 10-33% straight line |
| Short leasehold | - | 4% straight line, or over the remaining life of the lease if shorter than 25 years |
| Motor vehicles | - | 25-33% straight line |

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

No depreciation is charged on assets still under construction

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Deferred taxation***

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

***Investments***

Investments are held at cost less any provision for impairment in value

***Pensions***

The company operates a defined contribution pension scheme The assets of the scheme are held separately from the company in individual employee accounts at the pension provider The amount charged to the profit and loss account represents the company contributions payable to the scheme in respect of the accounting period

***Cash flow statement***

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company, MacDermid Holdings LLC, publishes a consolidated cash flow statement

***Related party transactions***

The company is exempt from the requirements of Financial Reporting Standard 3 "Related party disclosures" to disclose transactions with other group undertakings or transactions with investees of the group qualifying as related parties, as it is a wholly owned subsidiary and its financial statements are included in the consolidated financial statements of the ultimate parent company and those financial statements are publicly available

***Financial instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as they represent a constant proportion of the capital outstanding

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

# Notes *(continued)*

## 2 Geographical turnover by destination

| | 2012 £000 | 2011 £000 |
|---|---|---|
| UK | **7,113** | 7,917 |
| Rest of Europe | **11,729** | 14,347 |
| Singapore | **9,244** | 8,687 |
| Americas | **6,255** | 5,826 |
| Rest of World | **3,396** | 3,454 |
| | **37,737** | 40,231 |

The directors consider that there is only one class of business and accordingly no operating segments disclosures are made

## 3 Operating profit

| | 2012 £000 | 2011 £000 |
|---|---|---|
| *Operating profit is stated after charging/(crediting)* | | |
| Depreciation | **751** | 805 |
| Operating lease rentals | | |
| Plant and machinery | **42** | 41 |
| Property | **945** | 942 |
| Equipment | **3** | 3 |
| Research and development expenditure | **1,814** | 1,610 |
| Net loss/(gain) on foreign currency translation | **175** | (500) |
| *Auditor's remuneration* | | |
| Audit fees | **34** | 33 |
| Taxation services | **11** | 10 |

## 4 Interest payable and similar charges

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interest payable to group undertakings | **1** | 2 |

## 5 Interest receivable

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interest receivable from bank/other | **1** | - |
| Interest receivable from group undertakings | **102** | 102 |
| | **103** | 102 |

# Notes *(continued)*

## 6 Dividends

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interim dividends paid during the year | **2,000** | 7,000 |

## 7 Tax on profit on ordinary activities

***Analysis of charge in the period***

| | 2012 £000 | £000 | 2011 £000 | £000 |
|---|---|---|---|---|
| *UK corporation tax* | | | | |
| Current tax on income for the year | - | | 1,270 | |
| Group relief payable (receivable) | **508** | | - | |
| Adjustments in respect of prior years | **(22)** | | (21) | |
| Total current tax | | **486** | | 1,249 |
| *Deferred tax* | | | | |
| Origination/reversal of timing differences | **29** | | 27 | |
| Effect of rate changes | **11** | | 12 | |
| Adjustment in respect of previous years | **19** | | 20 | |
| | | **59** | | 59 |
| Total tax charge | | **545** | | 1,308 |

# Notes *(continued)*

## 7 Tax on profit on ordinary activities *(continued)*

***Factors affecting the tax charge for the current year***

The current tax charge for the year is lower *(2011 lower)* than the standard rate of corporation tax in the UK of 24 5% *(2011 26 5%)* The differences are explained below

| | 2012 | 2011 |
|---|---|---|
| | **£000** | £000 |
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **3,434** | 7,209 |
| Current tax at 24 5% *(2011 26 5%)* | **841** | 1,910 |
| *Effects of* | | |
| Non-deductible expenses | **3** | 7 |
| Research and development tax credit | **(81)** | (66) |
| Depreciation on ineligibles less IBA's | **11** | 11 |
| Capital allowances (in excess of)/less than depreciation | **(28)** | (38) |
| Increase in other timing differences | **(3)** | 11 |
| Non taxable income – foreign dividends | **(235)** | (565) |
| Adjustment in respect of prior periods | **(22)** | (21) |
| | **486** | 1,249 |

***Factors that may affect future current and total tax charges***

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2012 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date)

# Notes *(continued)*

## 8 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

| | Number of employees | |
|---|---|---|
| | **2012** | 2011 |
| Production | **180** | 182 |
| Marketing | **34** | 34 |
| Development | **33** | 30 |
| Administration | **22** | 23 |
| | **269** | 269 |

The aggregate payroll costs of these persons were as follows

| | **£000** | £000 |
|---|---|---|
| Wages and salaries | **8,509** | 8,466 |
| Social security costs | **970** | 971 |
| Employer contributions to defined contribution pension scheme | **962** | 652 |
| | **10,441** | 10,089 |

**Remuneration of directors**

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| *Total emoluments* | | |
| Aggregate emoluments | **252** | 263 |
| Company pension contributions to money purchase schemes | **36** | 46 |
| | **288** | 309 |

Mr Phasey, Mr Richards and Mr Cordani are directors of the company's immediate parent company, Surface Treatments Limited, and receive no remuneration from the company

At 31 December 2012, there are no retirement benefits accruing to any directors *(2011 none)* under defined benefit schemes and there are retirements benefits accruing to one director *(2011 two)* under a money purchase scheme

No directors *(2011 none)* exercised share options or received shares under long term incentive schemes

| | **£000** | £000 |
|---|---|---|
| *Emoluments of highest paid director* | | |
| Aggregate emoluments including bonuses | **155** | 165 |
| Company pension contributions to money purchase scheme | **7** | 29 |
| | **162** | 194 |

# Notes *(continued)*

## 9 Tangible fixed assets

| | Short leasehold items £000 | Machinery and equipment £000 | Motor vehicles £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At beginning of year | 1,060 | 30,029 | 75 | 63 | 31,227 |
| Additions | - | - | - | 664 | 664 |
| Transfers | - | 456 | - | (456) | - |
| Other adjustments | - | (20) | - | - | (20) |
| Disposals | - | (453) | (30) | - | (483) |
| At end of year | 1,060 | 30,012 | 45 | 271 | 31,388 |
| ***Depreciation*** | | | | | |
| At beginning of year | 703 | 27,203 | 75 | - | 27,981 |
| Charge for year | 43 | 708 | - | - | 751 |
| Other adjustments | - | (20) | - | - | (20) |
| Eliminated in respect of disposals | - | (448) | (30) | - | (478) |
| At end of year | 746 | 27,443 | 45 | - | 28,234 |
| ***Net book value*** | | | | | |
| **At 31 December 2012** | **314** | **2,569** | **-** | **271** | **3,154** |
| At 31 December 2011 | 357 | 2,826 | - | 63 | 3,246 |

## 10 Fixed asset investments

| | Shares in subsidiary undertakings £000 |
|---|---|
| ***Cost*** | |
| At beginning and end of year | 3,320 |
| ***Provisions*** | |
| At beginning and end of year | 2,320 |
| ***Net book value*** | |
| **At 31 December 2012** | **1,000** |
| At 31 December 2011 | 1,000 |

# Notes *(continued)*

## 10 Fixed asset investments *(continued)*

| | Shares in subsidiary undertakings at cost £000 | Provision for impairment £000 | Total £000 |
|---|---|---|---|
| ***Company*** | | | |
| MacDermid Autotype (Asia) Pte Ltd | 844 | - | 844 |
| CPS Chemical Products & Services A/S | 2,476 | (2,320) | 156 |
| **At 31 December 2012** | **3,320** | **(2,320)** | **1,000** |

The subsidiary undertakings of the company at 31 December 2012 were as follows

| | Country of incorporation | Class of shares | Percentage of shares/membership held |
|---|---|---|---|
| MacDermid Autotype (Asia) Pte Ltd | Singapore | Ordinary shares of $1 | 100% ordinary |
| CPS Chemical Products & Services A/S | Denmark | 'B' shares of DKr50 | 100% ordinary |

The company's subsidiaries are not consolidated as the company and its group are included within the consolidated accounts of MacDermid Holdings LLC

MacDermid Autotype (Asia) Pte Ltd acts as a marketing and distribution outlet for MacDermid Autotype products CPS manufactured and distributed a range of chemicals to the printing industry until May 2006, when its factory in Denmark was closed and the manufacturing operation was moved to the company's plant in England

Provisions for impairment have been increased in respect of the cessation of activities by CPS Chemical products and Services A/S

## 11 Stocks

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Raw materials and consumables | **2,605** | 2,536 |
| Work in progress | **1,732** | 1,690 |
| Finished goods | **943** | 1,027 |
| | **5,280** | 5,253 |

## 12 Debtors

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Trade debtors | **2,327** | 3,023 |
| Amounts owed by group undertakings | **5,670** | 5,492 |
| Other debtors | **77** | 30 |
| Deferred tax (note 15) | **90** | 149 |
| Prepayments and accrued income | **670** | 704 |
| | **8,834** | 9,398 |

# Notes *(continued)*

## 13 Creditors: Amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Trade creditors | **2,849** | 3,258 |
| Amounts owed to group undertakings | **94** | 143 |
| Corporation tax | **508** | 1,270 |
| Other taxation and social security payable | **-** | 235 |
| Other creditors | **11** | 97 |
| Accruals and deferred income | **1,063** | 1,022 |
| | **4,525** | 6,025 |

## 14 Creditors: Amounts falling due after more than one year

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Loans from subsidiary | **236** | 325 |

The loans from the Group subsidiary have no fixed dates for repayment The directors do not consider that repayment will be sought during the next year Interest is charged at the Bank of England base rate

## 15 Deferred tax

| | £000 |
|---|---|
| Deferred tax asset at beginning of year | (149) |
| Credit to profit and loss account | 59 |
| Deferred tax asset at end of year | **(90)** |

The deferred tax asset is disclosed in debtors (note 12)

**Analysis of deferred taxation**

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Difference between accumulated depreciation, amortisation and capital allowances | **(41)** | (92) |
| Other timing differences | **(49)** | (57) |
| Deferred tax asset at end of period | **(90)** | (149) |

# Notes *(continued)*

## 16 Share capital

| | 2012 | 2011 |
|---|---|---|
| | **£000** | £000 |
| *Allotted, called up and fully paid* | | |
| 14,304 ordinary shares of £1 each | **14** | 14 |

## 17 Profit and loss account

| | 2012 |
|---|---|
| | **£000** |
| At beginning of year | 13,165 |
| Profit for the year | 2,889 |
| Dividends paid | (2,000) |
| At end of year | **14,054** |

## 18 Reconciliation of movements in shareholders' funds

| | 2012 | 2011 |
|---|---|---|
| | **£000** | £000 |
| Profit for the year | **2,889** | 5,901 |
| Dividends paid | **(2,000)** | (7,000) |
| Opening shareholders' funds | **13,179** | 14,278 |
| Closing shareholders' funds | **14,068** | 13,179 |

## 19 Capital and operating lease commitments

There were no amounts contracted for but not provided at 31 December 2012 *(2011 £Nil)*

Annual commitments under non-cancellable operating leases are as follows

**Operating leases which expire:**

| | 2012 | 2011 |
|---|---|---|
| | **£000** | £000 |
| *In respect of land and buildings* | | |
| Within one year | **-** | 178 |
| In the second to fifth years inclusive | **-** | - |
| Over five years | **943** | 943 |
| | **943** | 1,121 |
| *In respect of plant and machinery* | | |
| Within one year | **-** | 4 |
| In the second to fifth years inclusive | **71** | 17 |
| | **71** | 21 |

# Notes *(continued)*

## 20 Pensions

The company operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,025,053 *(2011 £591,195)*

The outstanding contribution due at 31 December 2012 was £Nil *(2011 £81,269)*

## 21 Contingent liabilities

The company is party to an unlimited intercompany composite guarantee in favour of its bankers, Royal Bank of Scotland The other participants in the guarantee are all fellow UK subsidiaries of the MacDermid group

## 22 Ultimate parent company

The company's immediate controlling party is Surface Treatments Limited, which is registered in England As at 31 December 2012 its ultimate parent and controlling company was MacDermid Holdings LLC, which is incorporated in the United States of America

The largest and smallest group in which the results of this company are consolidated is that headed by MacDermid Holdings LLC Copies of the group financial statements are available to the public from the following address

MacDermid Holdings LLC
1401 Blake Street
Denver

Colorado 80202
USA