

MacDermid Limited

Annual report and financial statements
for the year ended 31 December 2015

Registered number: 1290882



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Strategic report for the year ended 31 December 2015

The directors present their Strategic report on the company for the year ended 31 December 2015.

Principal activities

The principal activities of the company continue to be the manufacture and supply of speciality chemicals and materials for use in surface coating and printed circuit board industries and the manufacture and supply of industrial lubricants.

The company provides technology-based solutions to the surface coating industry. Our customers are mainly involved in coating applications, found in all industrial manufacturing sectors. The company also supplies innovative, environmentally-sound products to printed circuit board manufacturers involved in industries from mobile phones to the automotive industry.

MacDermid Limited is a wholly owned subsidiary of MacDermid Italiana Srl.

Business review and results

The performance of the company during the year showed a decrease in turnover of 1.6% from 2014. The sales decrease was as a result of lower demand from lubricants into the heat transfer fluids industry, and chemicals for the recycling of PET bottles. Specialty chemicals to automotive supply industries has continued to grow.

The results of the company show a loss on ordinary activities before taxation of £2.2m (2014: profit £3.9m) for the year and turnover of £20.5m (2014: £20.8m). The trading results for the year and the company's financial position at the end of the year are set out on pages 9 and 10 of the financial statements.

The company recharges the cost of research and development plus a mark up to MacDermid Acumen Inc., a group undertaking which owns the intellectual property on behalf of the group. During the year, the recharges amounted to £2.3m (2014: £2.8m).

The Pension Scheme Trustees entered into a pension buy-in contract in October 2014, securing all member benefits with an insurer. During 2015, the Pension Scheme Trustees and their advisors carried out exercises to cleanse member data to undertake a legal review of benefits payable from the Scheme. This exercise identified additional liabilities in relation to historic benefits accrued. Based on the latest available estimate from the Pension Scheme Trustee advisors the additional liabilities that need to be secured with the insurer on a buy-out basis are estimated to be circa.£5.8m. These additional liabilities have been recognised in the profit and loss account as past service cost of £5.2m.

The buy-out transaction is set to be completed by December 2016. The Trustees intend to wind up the defined benefit part of the scheme, leaving only the defined contribution scheme within their remit.

Key performance indicators

The key performance indicators monitored by management are growth in turnover, operating profit margin and profit for the financial year.

Total turnover for the year has decreased by 1.6% (2014: increased by 4.6%), with sales to UK customers decreasing by 0.5% (2014: increased by 6.1%). Sales to other EU countries decreased by 5.7% (2014: sales were in line with 2013) whilst sales to the rest of the world have increased by 0.4% (2014: increased by 11.0%). The company made an operating loss £3.2m compared to an operating profit of £3.3m in 2014. This is principally as a result of the pension past service cost of £5.2m charged during the year. The company's profit for the financial year has decreased by £4.9m.

The future development of the company is discussed in more details in the Directors' report on page 4.

Strategic report for the year ended 31 December 2015 (continued)

Non financial key performance indicators

The company believes in safeguarding the health, safety and welfare of its employees. During the year the turnover of employees was low, which continued the trend of recent years. The company continues to invest in its employees, with training and career development.

The company's quality management system has been certified to ISO 9001 since 1986 and its environmental management system to ISO 14001 since 2003. The company's safety management system is based on the requirements of BS OHSAS 18001 – Occupational health and safety management systems. During 2015 the new standard ISO 45001 – Occupational health and safety management systems was published, the company's safety management system will be modified to comply with this standard and align with new standards for ISO 9001 and ISO 14001.

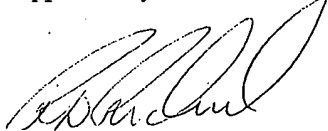
Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the company's competitors and product availability.

The company provides high quality technical service support to its customers, which helps mitigate the risk of our competitors taking over business from customers.

The company invests in research and development to continually update products formulations and lower the risk of raw materials for our products becoming unavailable, due to environmental and Health & Safety legislation changes.

Approved by the board of directors and signed on its behalf by



R E Richards

Director

29 September 2016

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Future developments

The 2016 outlook is for organic growth of sales in the surface preparation and coatings industries. The growth is possible as a result of new and improved products which have been developed by the research and development group. The company will continue to benefit from inroads into the metallurgy and metal working industries.

Turnover for the year declined by 1.6% but organic growth of turnover and expected lower cost base during the next financial year will help the company to achieve the targets set for 2016.

The company will continue to invest in people and the development of new products to meet the demands of our customers.

Dividends

The directors have paid an interim dividend at 83.3 pence per share amounting to £2,500,000 (note 12) (2014: 33.0 pence per share amounting to £1,000,000). No final dividend is declared (2014: £Nil).

Financial risk management

The main risks arising from the company's financial instruments are interest rate cash flow risk, credit risk, pricing risk and foreign currency risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

The board reviews and agrees policies for managing these risks as summarised below:

Interest rate cash flow risk

The company has interest-bearing assets. Interest-bearing assets include only cash balances and intercompany loans. The directors will revisit the appropriateness of this policy should the company change in size and nature. The company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Credit risk

The company trades with only recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

Pricing risk

The company is moderately exposed to commodity price risk as a result of its operations. The company does not actively manage this exposure as the costs of doing so exceed the potential benefits.

Foreign currency risk

Despite trading with customers in different countries, the foreign currency risk to the company is very low as it invoices its customers in Sterling.

Directors' report for the year ended 31 December 2015 (continued)

Research and development

The company carries out research and development of products used primarily for the surface preparation, surface modification and post-treatment of metals and plastics. The products have a wide variety of uses in manufacturing sectors for the automotive and aircraft industries, domestic appliances, shop fittings, fasteners, jewellery and mobile phones.

Directors

The directors who served during the year and up to the date of signing the financial statements are given below:

- T J Clarke
- J Cordani (resigned 14 September 2016)
- RE Richards
- F Monteiro
- P Bray
- S Sheffield

Employees

It is the policy of the company that no job application or employee, full time or part time, will receive less favourable treatment because of a disability. The company gives full and fair consideration to people with disabilities during recruitment, who are judged on whether or not they have the skills or experience to do the job in question. Particular consideration is given to the training, career development and promotion of employees with disabilities (and especially of those individuals who become disabled during employment). It is the aim of the company to comply at all times with the obligations imposed on it by relevant laws and regulations.

Management believes that employees will work more effectively if they are kept informed of the progress of their own company and of the group as a whole. For this reason, the executive directors of Platform Specialty Products Corporation regularly brief the managing directors of the various operating companies who, in turn, are responsible for communicating relevant information to their employees on a regular and systematic basis and consult them where appropriate.

Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining the company's performance.

Qualifying third part indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in place as at the date of the approval of the financial statements and throughout the last and current financial year.

Directors' report for the year ended 31 December 2015 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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.

Statement of disclosure of information to auditors

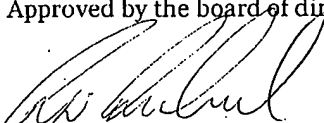
In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on its behalf by



R E Richards
Director
29 September 2016

198 Golden Hillock Road
Birmingham
B11 2NP

Independent auditors' report to the members of MacDermid Limited

Report on the financial statements

Our opinion

In our opinion, MacDermid Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Profit and loss account and the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jackie Bradshaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
29 September 2016

Profit and loss account for the year ended 31 December 2015

| | | 2015 | 2014 |
|--|------|----------|----------|
| | Note | £000 | £000 |
| Turnover | 5 | 20,512 | 20,835 |
| Cost of sales | | (13,166) | (13,292) |
| Gross profit | | 7,346 | 7,543 |
| Distribution costs | 6 | (2,149) | (2,326) |
| Administrative expenses | 6 | (10,635) | (4,737) |
| Other operating income | 7 | 2,266 | 2,788 |
| Operating (loss)/profit | 8 | (3,172) | 3,268 |
| Interest receivable and similar income | 10 | 1,015 | 653 |
| Interest payable and similar charges | 11 | - | (6) |
| (Loss)/profit on ordinary activities before taxation | | (2,157) | 3,915 |
| Tax on (loss)/profit on ordinary activities | 13 | 364 | (821) |
| (Loss)/profit or the financial year | | (1,793) | 3,094 |

The notes on pages 12 to 27 form part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

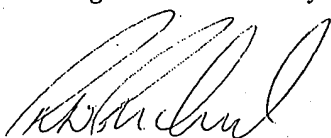
| | | 2015 | 2014 |
|---|------|---------|---------|
| | Note | £000 | £000 |
| (Loss)/profit for the financial year | | (1,793) | 3,094 |
| Actuarial loss in respect of defined benefit pension scheme | 21 | (59) | (4,887) |
| Total tax on components of other comprehensive expense | 20 | 12 | 977 |
| Total comprehensive expense for the year | | (1,840) | (816) |

Balance sheet as at 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Tangible assets | 14 | 3,853 | 4,421 |
| Investments | 15 | 1,723 | - |
| | | 5,576 | 4,421 |
| Current assets | | | |
| Inventories | 16 | 2,250 | 2,103 |
| Debtors | 17 | 37,911 | 21,631 |
| Cash at bank and in hand | | 4,040 | 4,662 |
| | | 44,201 | 28,396 |
| Creditors: amounts falling due within one year | 18 | (35,400) | (19,377) |
| Net current assets | | 8,801 | 9,019 |
| Total assets less current liabilities | | 14,377 | 13,440 |
| Creditors: amounts falling due after more than one year | 19 | (550) | (687) |
| Provisions for liabilities | 20 | (213) | (1,531) |
| Net assets before pension asset | | 13,614 | 11,222 |
| Net pension asset | 21 | 347 | 6,532 |
| Net assets after pension asset | | 13,961 | 17,754 |
| Capital and reserves | | | |
| Called up share capital | 24 | 3,000 | 3,000 |
| Share premium account | | 1,682 | 1,135 |
| Retained earnings | | 9,279 | 13,619 |
| Total equity | | 13,961 | 17,754 |

The notes on pages 12 to 27 form part of these financial statements.

These financial statements on pages 9 to 27 were approved by the board of directors on 29 September 2016 and were signed on its behalf by:



RE Richards
Director

Company number: 1290882

Statement of changes in equity for the year ended 31 December 2015

| | Called up share capital | Share premium account | Retained earnings | Total equity |
|---|----------------------------|-----------------------------|----------------------|---------------|
| | £000 | £000 | £000 | £000 |
| Balance as at 1 January 2014 | 3,000 | 1,135 | 15,435 | 19,570 |
| Profit for the financial year | - | - | 3,094 | 3,094 |
| Other comprehensive expense for the year | - | - | (3,910) | (3,910) |
| Total comprehensive expense for the year | - | - | (816) | (816) |
| Dividends | - | - | (1,000) | (1,000) |
| Balance as at 31 December 2014 | 3,000 | 1,135 | 13,619 | 17,754 |
| Balance as at 1 January 2015 | 3,000 | 1,135 | 13,619 | 17,754 |
| Loss for the financial year | - | - | (1,793) | (1,793) |
| Other comprehensive expense for the year | - | - | (47) | (47) |
| Total comprehensive expense for the year | - | - | (1,840) | (1,840) |
| Dividends | - | - | (2,500) | (2,500) |
| Increase in share capital and share premium | | 547 | - | 547 |
| Balance as at 31 December 2015 | 3,000 | 1,682 | 9,279 | 13,961 |

The share premium account represents the premium amount, over and above the nominal value, on any shares issued in the year and prior periods.

Retained earnings represents accumulated comprehensive income for the year and prior periods.

The notes on pages 12 to 27 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

1 General Information

MacDermid Limited manufactures and supplies speciality chemicals and materials for use in surface coating and printed circuit board industries and the manufacture and supply of industrial lubricants.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is 198 Golden Hillock Road, Birmingham B11 2PN.

2. Statement of Compliance

The financial statements of MacDermid Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 27.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in conformity with FRS 102. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. This is discussed further within note 4 'Critical accounting judgements and estimation uncertainty'.

Going concern

The company meets its day-to-day working capital requirements through its intercompany financing arrangements. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following available exemptions as a qualifying entity.

- i. including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement. The consolidated group cash flow statement is presented in the financial statements of Platform Specialty Products Corporation, which are publicly available (note 28).
- ii. disclosing key management personnel compensation in total.
- iii. disclosing transactions with other group undertakings or transactions with investees of the group qualifying as related parties, as it is wholly owned (note 28).
- iv. disclosing rent free periods on existing leases at the transition date. The company continues to recognise these on the same basis as UK GAAP.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

b) Consolidation

The financial statements contain information about MacDermid Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent company and those financial statements are publicly available.

c) Revenue recognition

The company recognises revenue, including freight charged to customers, when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. The company's shipping terms are customarily "FOB shipping point" and do not include the right of inspection or acceptance provision.

d) Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred except for expenditure on tangible fixed assets. Capital expenditure on tangible fixed assets used for research and development is depreciated in line with the tangible fixed assets accounting policy.

The company recharges the cost of research and development plus a mark up to MacDermid Acumen Inc., a group undertaking which owns the intellectual property on behalf of the group.

e) Tangible assets

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the cost attributed to bringing the asset to its working condition for its intended use. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

- Plant and equipment 5 to 14 years
- Leasehold improvements Straight line over 15 years

Assets in the course of construction are stated at cost and are not depreciated until they are ready for use.

f) Investment in subsidiaries

Investments held as fixed assets are stated at cost less any provision for impairment.

g) Leases

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Benefits received as an incentive to sign a lease, whatever form they take, are credited to the profit and loss account on a straight line basis over the life of the lease or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate. The corresponding liability is held within deferred income on the balance sheet.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials at average cost, labour and appropriate overhead expenses. In determining the cost, a weighted average cost basis is used. Specific provisions are made as necessary for slow moving and obsolete inventories.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

i) Pension costs

The company operates a pension scheme with one section based on final pensionable pay and one section based on contributions. The assets of the scheme are held separately from those of the company. Contributions to the scheme are paid in accordance with the recommendations of an independent actuary.

Defined benefit scheme

Pension scheme assets are measured at market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent it is recoverable) or deficit is recognised in full. Assets recognised are restricted to the extent that the company is able to recover the surplus through reduced contributions. The movement in the scheme is split between operating charges, finance items and in the statement of comprehensive income.

The company's policy for accounting for a pension scheme buy-in is to recognise the impact in line with the company's interpretation of the accounting standard in force at the time. The company's policy is to recognise the settlement impact when the company is demonstrably committed to the transaction – in 2014, this was deemed to be when the Trustee of the scheme signed an agreement with the insurer to secure benefits in 2014. In line with the company's interpretation of FRS 102 (after obtaining advice from its corporate pension advisors), the liabilities at the 2015 and 2014 year end were assessed using a corporate bond-based discount rate and other assumptions derived consistently with those adopted in previous years. Due to the matching nature of the buy-in policy, the scheme's assets related to the policy were written-down to match the assessed liabilities in accordance with FRS 102 para 28.15 (b). MacDermid aims for consistency in its treatment of events as part of its accounting disclosures, though for a transaction of this size the appropriate accounting treatment will always be considered on an individual basis and in conjunction with the relevant accounting rules in force at the time.

Defined contribution scheme

The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the period.

j) Taxation

The tax charge is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The company's liability for current tax is calculated using average tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current taxes and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

k) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

l) Distributions to equity holders

Dividends and other distributions to company stakeholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's stakeholders. The amounts are recognised in the Statement of changes in equity.

m) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost, using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying value and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present values of the future receipts discounted at a market rate of interest.

Such liabilities are subsequently carried at amortised cost, using the effective interest rate method.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities as payments are due within one year or less.

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Critical accounting judgements and estimation uncertainty

Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. Critical judgements in applying the entity's accounting policies

- *Exemptions on transition to FRS 102*

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition (1 January 2014) in accordance with the company's accounting policies.

ii. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment, and note 3(e) for the useful economic lives for each class of assets.

- *Inventory provisioning*

The company manufactures and sells specialty chemicals and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.

- *Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors management considers factors including the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

- *Defined benefit pension scheme*

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 December 2015 (continued)

5 Turnover

The turnover and (loss)/profit on ordinary activities before taxation are attributable to the principal activities of the company. An analysis of turnover by geographical destination is given below:

| | 2015 | 2014 |
|--------------------|---------------|---------------|
| | £000 | £000 |
| United Kingdom | 13,820 | 13,891 |
| Other EU countries | 5,401 | 5,708 |
| Rest of the world | 1,291 | 1,236 |
| | 20,512 | 20,835 |

6 Other operating charges

| | 2015 | 2014 |
|-------------------------|---------------|--------------|
| | £000 | £000 |
| Distribution costs | 2,149 | 2,326 |
| Administrative expenses | 10,635 | 4,737 |
| | 12,784 | 7,063 |

7 Other operating income

| | 2015 | 2014 |
|--|-------|-------|
| | £000 | £000 |
| Research and development cost recharge to other group undertakings | 2,266 | 2,788 |

8 Operating (loss)/profit

| | 2015 | 2014 |
|---|--------|--------|
| | £000 | £000 |
| Operating (loss)/profit is stated after charging: | | |
| Research and development expenditure | 2,158 | 2,655 |
| Inventory recognised as expense | 11,238 | 10,899 |
| Impairment of inventory included in cost of sales | 18 | 29 |
| Impairment of trade receivables | - | 229 |
| Impairment of investment | 483 | - |
| Depreciation of owned fixed assets | 642 | 640 |
| Operating lease costs | 362 | 359 |
| Services provided by the company's auditors | | |
| Fees payable for the audit of the company | 35 | 33 |

Notes to the financial statements for the year ended 31 December 2015 (continued)

9 Directors' emoluments

| | 2015 | 2014 |
|---|------|------|
| | £000 | £000 |
| Emoluments receivable | 421 | 484 |
| Company pension contributions to money purchase schemes | 33 | 36 |
| | 454 | 520 |
| Highest paid director | | |
| | 2015 | 2014 |
| | £000 | £000 |
| Emoluments receivable | 131 | 167 |
| Company pension contributions to money purchase schemes | 11 | 13 |
| | 142 | 180 |

Retirement benefits are accruing to two (2014: two) directors under the defined benefit scheme. No contributions were made to the scheme on behalf of the directors (2014: £nil). Retirement benefits are accruing to four directors (2014: four) under the money purchase scheme.

Two directors received no remuneration in respect of their services to the company (2014: £nil). The emoluments for these two individuals are borne by another group company.

Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year was as follows:

| | Number of employees | |
|---------------------|---------------------|------|
| | 2015 | 2014 |
| Production | 19 | 19 |
| Administration | 38 | 40 |
| Sales and marketing | 35 | 34 |
| Warehousing | 6 | 6 |
| | 98 | 99 |

(e) The aggregate payroll costs of these persons were as follows:

| | 2015 | 2014 |
|-----------------------|-------|-------|
| | £000 | £000 |
| Wages and salaries | 3,286 | 3,526 |
| Social security costs | 341 | 370 |
| Other pension costs | 243 | 248 |
| | 3,870 | 4,144 |

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Interest receivable and similar income

| | 2015 | 2014 |
|--|-------|------|
| | £000 | £000 |
| Bank interest receivable | 12 | 14 |
| Interest from group undertakings | 788 | 243 |
| Net finance income in respect of defined benefit pension schemes (note 21) | 215 | 396 |
| | 1,015 | 653 |

11 Interest payable and similar charges

| | 2015 | 2014 |
|------------------------|------|------|
| | £000 | £000 |
| Other interest payable | - | 6 |

12 Dividends

| | 2015 | 2014 |
|---|-------|-------|
| | £000 | £000 |
| Equity shares | | |
| Interim dividends paid – 83.3 pence per share (2014: 33p) | 2,500 | 1,000 |

13 Tax on (loss)/profit on ordinary activities

| | 2015 | 2014 |
|---|---------|------|
| | £000 | £000 |
| Analysis of (credit)/charge in year | | |
| UK corporation tax | | |
| Current tax on income for the year | 905 | 863 |
| Adjustments in respect of prior years | 37 | (5) |
| Total current tax | 942 | 858 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (79) | (12) |
| On pension costs charged to the profit and loss account (note 21) | (1,225) | (25) |
| Adjustments in respect of prior years | (2) | - |
| Total deferred tax (note 20) | (1,306) | (37) |
| Tax on (loss)/profit on ordinary activities | (364) | 821 |

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Tax on (loss)/profit on ordinary activities (continued)

Factors affecting the tax (credit)/charge for the current year

The current tax (credit)/charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK, of 20.25% (2014: 21.50%). The differences are explained below:

| | 2015 | 2014 |
|--|--------------|------------|
| | £000 | £000 |
| Current tax reconciliation | | |
| (Loss)/profit on ordinary activities before taxation | (2,157) | 3,915 |
| Profit on ordinary activities at the standard effective rate of corporation tax of 20.25% (2014: 21.50%) | (437) | 842 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 103 | 46 |
| Rate change effect | 15 | 1 |
| Additional tax credit for research and development | (80) | (63) |
| Adjustments in respect of prior years | 35 | (5) |
| Total tax (credit)/charge (see above) | (364) | 821 |

Factors that may affect future current and total tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and was substantively enacted on 6 September 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, is not material.

Notes to the financial statements for the year ended 31 December 2015 (continued)

14 Tangible assets

| | Leasehold improvements | Plant and equipment | Total |
|---------------------------------|---------------------------|------------------------|-------|
| | £000 | £000 | £000 |
| Cost | | | |
| At 1 January 2015 | 3,775 | 3,981 | 7,756 |
| Additions | - | 74 | 74 |
| Disposals | - | (117) | (117) |
| At 31 December 2015 | 3,775 | 3,938 | 7,713 |
| Accumulated Depreciation | | | |
| At 1 January 2015 | 1,426 | 1,909 | 3,335 |
| Charge during the year | 252 | 390 | 642 |
| Disposals | - | (117) | (117) |
| At 31 December 2015 | 1,679 | 2,181 | 3,860 |
| Net Book Value | | | |
| At 31 December 2015 | 2,096 | 1,757 | 3,853 |
| At 31 December 2014 | 2,349 | 2,072 | 4,421 |

15 Fixed asset investments

| | 2015 | 2014 |
|--------------------------------------|--------------|----------|
| | £000 | £000 |
| Cost | | |
| At 1 January | - | - |
| Addition | 2,206 | - |
| At 31 December | 2,206 | - |
| Provision | | |
| At 1 January | - | - |
| Charge during the year | (483) | - |
| At 31 December | (483) | - |
| Net Book Value at 31 December | 1,723 | - |

On 27 October 2015 the company acquired 100% of the equity share capital of OMG Electronic Chemicals UK, Limited for a cash consideration of £2,206,000. The fair value of the investment acquired has been subject to an impairment review during the period and has been written down to the net asset value of the subsidiary of £1,723,000.

Notes to the financial statements for the year ended 31 December 2015 (continued)

16 Inventories

| | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Raw materials and consumables | 1,111 | 1,162 |
| Finished goods and goods for resale | 1,139 | 941 |
| | <u>2,250</u> | <u>2,103</u> |

There are no material differences between the values of inventories and their replacement costs.

Inventories are stated after provisions for impairment of £39,000 (2014: £62,000).

17 Debtors

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade debtors | 2,718 | 2,733 |
| Amounts owed by group undertakings | 34,856 | 18,577 |
| Prepayments and accrued income | 337 | 321 |
| | <u>37,911</u> | <u>21,631</u> |

Trade debtors are stated after provisions for impairment of £41,000 (2014: £291,000).

Intercompany loans are repayable at times and amounts demanded by the lender and are due from; MacDermid Europe Limited £4,165,000 at an interest rate of LIBOR plus 3.125%; MacDermid Canning Limited £10,978,000 at an interest rate of LIBOR plus 3.25%; Arysta LifeScience Great Britain Ltd £2,850,000 at an interest rate of LIBOR plus 3.75%; Arysta LifeScience UK USD Limited £1,500,000 at an interest rate of LIBOR plus 3.125%. There is no security held for these loans.

All other amounts owed by group undertakings are not interest bearing, are repayable on demand, and are unsecured.

18 Creditors: amounts falling due within one year

| | 2015 | 2014 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade creditors | 1,522 | 1,940 |
| Amounts owed to group undertakings | 32,771 | 16,223 |
| Other taxation and social security | 93 | 91 |
| Corporation tax | 506 | 493 |
| Accruals and deferred income | 508 | 630 |
| | <u>35,400</u> | <u>19,377</u> |

All amounts owed to group undertakings are interest free, are repayable on demand, and are unsecured.

Notes to the financial statements for the year ended 31 December 2015 (continued)

19 Creditors: amounts falling due after more than one year

| | 2015 | 2014 |
|------------------------------|------|------|
| | £000 | £000 |
| Accruals and deferred income | 550 | 687 |

Creditors falling due after more than one year relate to lease incentives.

20 Provisions for liabilities

Deferred taxation

The deferred tax included in the balance sheet is as follows:

| | 2015 | 2014 |
|---|------|-------|
| | £000 | £000 |
| Excess of taxation allowances over depreciation on fixed assets | 144 | 225 |
| Pension scheme asset | 69 | 1,306 |
| Other timing differences | - | - |
| Deferred tax provision | 213 | 1,531 |

The movement in the deferred taxation account during the year was:

| | £000 |
|--|---------|
| At 1 January 2015 | 1,531 |
| Credited to profit and loss account for the year (note 13). | (1,306) |
| Movement in pension scheme deferred tax asset relating to actuarial loss | (12) |
| At 31 December 2015 | 213 |

21 Pension commitments

Defined benefit scheme

The principal scheme operated in the UK is the MacDermid Canning Pension Scheme. It is a defined benefit scheme for service prior to 6 April 1997 and defined contribution for service on or after that date. The scheme is established as a separate fund and administered by a corporate trustee. The scheme's assets are invested independently of the company with no element of self-investment.

The latest full actuarial valuation was carried out at 6 April 2013 and was updated for FRS 102 purposes to 31 December 2015.

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Pension commitments (continued)

The amounts recognised in the balance sheet at 31 December:

| | 2015 | 2014 |
|-------------------------------------|----------|----------|
| | £000 | £000 |
| Bonds | 1,002 | 1,000 |
| Buy-in policy | 42,564 | 46,550 |
| Others | 4,495 | 5,532 |
| Total market value of assets | 48,061 | 53,082 |
| Present value of scheme liabilities | (47,714) | (46,550) |
| Surplus in the scheme | 347 | 6,532 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2015 |
|------------------------------------|---------|
| | £000 |
| Opening defined benefit obligation | 46,550 |
| Current service cost | 1,191 |
| Interest cost | 1,492 |
| Actuarial gains | (2,769) |
| Benefits paid | (2,709) |
| Administrative expenses paid | (1,191) |
| Past service cost | 5,150 |
| Closing defined benefit obligation | 47,714 |

Changes in the fair value of plan assets are as follows:

| | 2015 |
|-------------------------------------|---------|
| | £000 |
| Opening fair value of scheme assets | 53,082 |
| Expected return on plan assets | 1,707 |
| Actuarial gains | (2,828) |
| Benefits paid | (2,709) |
| Administrative expenses paid | (1,191) |
| Closing fair value of scheme assets | 48,061 |

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Pension commitments (continued)

Analysis of the amount recognised in the statement of comprehensive income:

| | 2015 | 2014 |
|---|---------|---------|
| | £000 | £000 |
| Actual return more than expected return on scheme assets | (2,828) | 1,187 |
| Experience in liability gain/(loss) during year | 2,769 | (125) |
| Loss on changes in assumptions underlying the present value of scheme liabilities | - | (5,949) |
| Actuarial loss | (59) | (4,887) |

Analysis of the amount recognised in the profit and loss account:

| | 2015 | 2014 |
|---|-------|-------|
| | £000 | £000 |
| Current service cost | 1,191 | 517 |
| Net interest income | (215) | (396) |
| Past service cost | 5,150 | - |
| Total charge to profit and loss account | 6,126 | 121 |

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

| | 2015 | 2014 |
|--------------------------|-----------|----------|
| | % | % |
| Discount rate | 3.70 | 3.30 |
| Pension increase (fixed) | 1.50 or 3 | 1.5 or 3 |
| RPI inflation assumption | 3.30 | 3.25 |
| CPI inflation assumption | 2.20 | 2.15 |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 23 years (male); 25 years (female)
- Future retiree upon reaching 65: 25 years (male); 27 years (female) (currently aged 45)

A history of experience gains and losses is shown below:

| | 2015 | 2014 |
|--|---------|---------|
| | £000 | £000 |
| Experience (losses)/gains on scheme assets amount | (2,828) | 1,187 |
| % of scheme assets | (5.88%) | 2.24% |
| Experience adjustment on scheme liabilities amount | 2,769 | (125) |
| % of scheme assets | 5.8% | (0.27%) |

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Pension commitments (continued)

Defined contribution scheme

A defined contribution scheme is operated on behalf of the employees. The assets are held separately in an independently administered fund. The pension charge represents contributions payable to the fund and amounted to £243,000 during 2015 (2014: £248,000). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

22 Capital and other commitments

At 31 December 2015, there were no capital commitments which were contracted for and not paid (2014: £Nil).

At 31 December 2015, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| | £000 | £000 |
| Operating leases which expire: | | |
| Within one year | 68 | 24 |
| Within two to five years | 144 | 233 |
| After five years | 3,126 | 3,468 |
| | <u>3,338</u> | <u>3,725</u> |

The company had no other off balance sheet arrangements.

23 Related parties

The company is exempt under FRS 102 para 1.12 from disclosing transactions with other group undertakings or transactions with investees of the group qualifying as related parties, as it is wholly owned and its ultimate parent company publishes equivalent information in the consolidated financial statements of Platform Specialty Products Corporation, which are publically available (note 28).

24 Called up share capital

Allotted and fully paid

| | 2015 | 2015 | 2014 | 2014 |
|----------------------------|-----------|-------|-----------|-------|
| | Number | £000 | Number | £000 |
| Ordinary shares of £1 each | 3,000,001 | 3,000 | 3,000,000 | 3,000 |

The shares have attached to them full voting, dividend and capital distribution (including winding up) rights, they do not confer any rights of redemption.

On 22 December 2015 the company issued one ordinary share to MacDermid Italiana Srl for £547,357, fully paid in cash.

25 Capital commitments

At 31 December 2015, there were capital commitments amounting to £Nil (2014: £Nil) which were contracted for and not paid.

Notes to the financial statements for the year ended 31 December 2015 (continued)

26 Contingent liabilities

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

27 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies with reconcile the profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

| | 2014 £'000 |
|--------------------------------------|---------------|
| Profit for the financial year | |
| UK GAAP as previously reported | 3,094 |
| FRS 102 | 3,094 |

As a result of the adoption of FRS 102 the company have restated the balance sheet as at 31 December 2014 to recognise the pension surplus on the MacDermid Canning defined benefit pension scheme in full. Under UK GAAP the surplus was restricted to £nil.

| | 1 January 2014 £'000 | 31 December 2014 £'000 |
|--|-------------------------|---------------------------|
| Total equity | | |
| UK GAAP as previously reported | 10,338 | 12,528 |
| Recognition of pension surplus in 2013 | 11,540 | 11,540 |
| Deferred tax on pension surplus in 2013 | (2,308) | (2,308) |
| Recognition of reduction in pension surplus in 2014 | - | (5,008) |
| Deferred tax on reduction in pension surplus in 2014 | | 1,002 |
| FRS 102 | 19,570 | 17,754 |

28 Immediate and ultimate parent undertakings and controlling party

The company's immediate parent undertaking is MacDermid Italiana Srl, a company incorporated in Italy. This is the smallest group within which the company is consolidated.

The ultimate parent company and controlling party is Platform Specialty Products Corporation, which is incorporated in the United States of America.

The largest group in which the results of this company are consolidated is that headed by Platform Specialty Products Corporation. Copies of the group financial statements are available to the public from the following address: Platform Specialty Products Corporation, 245 Freight Street, Waterbury, Connecticut 06702, USA.