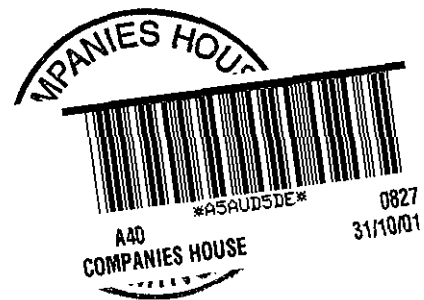


MacDermid plc

**Directors' report and financial
statements**

Registered number - 1290882

For the year ended 31 March 2001



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of MacDermid plc	4
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Reconciliation of movements in shareholders' funds	7
Note of historic cost profits and losses	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

Principal activities

The principal activities of the company continue to be the supply of chemicals and materials for use in electroplating and surface finishing processes and the manufacture of industrial lubricants and sealants, additives for fuel, water and waste treatment and chemicals for the electronics industry.

Business review

The results for the year are set out in the profit and loss account on page 5.

On 1 September 2000 the company changed its name from MacDermid Canning plc to MacDermid plc.

The company will continue to focus on the development of new products and technologies for its core product areas.

Proposed dividend

The directors recommend that no final ordinary dividend be paid (2000: £Nil). An interim dividend of £1,830,000 (2000: £1,250,000) has been paid in the year.

Directors and directors' interests

The directors who held office during the year and subsequently were as follows:

SJ Wake	
TJ Clarke	
LJ Phasey	
ML Rose	(appointed 6 September 2000)
HJ Allen	(appointed 1 May 2000, resigned 31 August 2001)
MV Kennedy	(appointed 23 August 2000, resigned 30 September 2001)
J Hulme	(resigned 31 July 2000)
SC Johnson	(resigned 30 August 2000)
PJS Johansen	(resigned 6 September 2000)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company as it is a wholly-owned subsidiary of MacDermid Europe plc. There are no disclosable interests in the shares of other group companies.

Employees

It is the policy of the company that no job applicant or employee in any country, full-time or part-time, will receive less than favourable treatment because of a disability unless objectively justifiable. Group companies give full and fair consideration to disabled people 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 and other needs of disabled employees (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 the Disability Discrimination Act 1996.

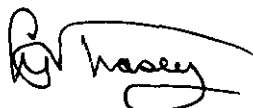
Management believes that group employees will work more effectively if, subject to obvious legal and business constraints, they are kept informed of the progress of their own company and of the group as a whole. For this reason, the executive directors of MacDermid Incorporated regularly brief the managing 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 for consulting them where appropriate.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'LJ Phasey', with a stylized flourish at the end.

LJ Phasey
Director

Palmer Street
Bordesley
Birmingham
B9 4EU

30 October 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of MacDermid plc

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG' or a similar stylized name.

KPMG
Chartered Accountants
Registered Auditors

30 October 2001

Profit and loss account
for the year ended 31 March 2001

	Note	2001 £000	2000 £000
Turnover	2,3		
Continuing operations		33,737	36,646
Discontinued operations		3,236	4,246
		<hr/>	<hr/>
		36,973	40,892
Change in stocks of finished goods and work in progress		(473)	(923)
Other operating income		(176)	(500)
Raw materials and consumables		18,536	20,607
Other external charges		689	1,124
Staff costs	6	7,818	7,808
Depreciation and other amounts written off tangible and intangible fixed assets		1,417	1,218
Other operating charges		3,553	5,030
		<hr/>	<hr/>
		(31,364)	(34,364)
Operating profit	3		
Continuing operations		5,122	6,079
Discontinued operations		487	449
		<hr/>	<hr/>
		5,609	6,528
Profit on sale of fixed assets		373	46
Net interest	7	(72)	7
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	5,910	6,581
Tax on profit on ordinary activities	8	(1,803)	(2,139)
		<hr/>	<hr/>
Profit for the financial year		4,107	4,442
Dividends	9	(1,830)	(1,250)
		<hr/>	<hr/>
Retained profit for the year		2,277	3,192

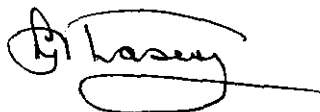
The impact of discontinued operations is given in notes 3 and 21. Movements on reserves are given in note 18.

Balance sheet

at 31 March 2001

	Note	2001 £000	2000 £000
Fixed assets			
Intangible assets	10	1,442	1,842
Tangible assets	11	9,644	8,455
Investments	12	-	-
		<hr/> 11,086	<hr/> 10,297
Current assets			
Stocks	13	3,572	3,707
Debtors	14	9,147	10,880
Cash at bank and in hand		45	157
		<hr/> 12,764	<hr/> 14,744
Creditors: amounts falling due within one year	15	<hr/> (8,324)	<hr/> (11,789)
Net current assets		<hr/> 4,440	<hr/> 2,955
Total assets less current liabilities		<hr/> 15,526	<hr/> 13,252
Provisions for liabilities and charges	16	<hr/> (115)	<hr/> (118)
Net assets		<hr/> 15,411	<hr/> 13,134
Capital and reserves			
Called up share capital	17	3,000	3,000
Share premium account	18	1,135	1,135
Revaluation reserve	18	391	711
Profit and loss account	18	10,885	8,288
Shareholders' funds		<hr/> 15,411	<hr/> 13,134

These financial statements were approved by the board of directors on 30 October 2001 and were signed on its behalf by:



LJ Phasey
Director

Statement of total recognised gains and losses

There is no difference between the profit for the financial year and the total recognised gains and losses relating to the year.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2001

	2001 £000	2000 £000
Profit for the financial year	4,107	4,442
Dividends	(1,830)	(1,250)
Net addition to shareholders' funds	2,277	3,192
Opening shareholders' funds	13,134	9,942
Closing shareholders' funds	15,411	13,134

Note of historic cost profits and losses

for the year ended 31 March 2001

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	5,910	6,581
Realisation of property revaluation gains of previous years	320	-
Historical cost profit on ordinary activities before taxation	6,230	6,581
Historical cost profit for the year retained after taxation and dividends	2,597	3,192

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 preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain land and buildings.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts, as it is a wholly-owned subsidiary of MacDermid (UK) Limited. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

The company is exempt from the requirements of Financial Reporting Standard no 8 (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.

Intangible fixed assets and amortisation

Product licences purchased by the company are capitalised at cost and are amortised over the anticipated production life of the product. Know-how is capitalised at cost and amortised over its anticipated useful economic life.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	20 to 50 years
Leasehold land		
and buildings	-	life of lease
Plant and machinery	-	5 to 14 years
Motor vehicles	-	4 to 5 years

No depreciation is provided on freehold land.

The useful lives assumed for freehold buildings are based on independent professional advice.

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.

Notes (continued)

1 Accounting policies (continued)

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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates pension schemes providing benefits based on final pensionable pay or contributions. Funds held in the pension schemes are administered by trustees and are independent of the company's finances. The company's contributions are in accordance with recommendations of independent actuaries and for the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Other contributions are expensed as incurred.

Research and development expenditure

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.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises materials, labour and appropriate overhead expenses. Specific provisions are made as necessary for slow moving and obsolete stock.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Turnover originates wholly in the UK and arises entirely from the principal activity of the company.

The analysis of turnover by geographical area is as follows:

	2001 £000	2000 £000
UK sales	26,973	34,428
Other EC countries	2,244	1,937
Rest of World	7,756	4,527
	<hr/> 36,973	<hr/> 40,892

Notes (continued)

3 Operating profit

	Discontinued operations £000	2001 Continuing operations £000	Total £000	Discontinued operations £000	2000 Continuing operations £000	2000 Total £000
Turnover	3,236	33,737	36,973	4,246	36,646	40,892
Change in stocks of finished goods and work in progress	-	473	473	(650)	1,573	923
Other operating income	-	176	176	-	500	500
Raw materials and consumables	(1,596)	(16,940)	(18,536)	(1,516)	(19,091)	(20,607)
Other external charges	-	(689)	(689)	-	(1,124)	(1,124)
Staff costs	(566)	(7,252)	(7,818)	(650)	(7,158)	(7,808)
Depreciation and other amounts written off tangible and intangible fixed assets	(53)	(1,563)	(1,616)	(70)	(1,148)	(1,218)
Other operating charges	(534)	(2,820)	(3,354)	(911)	(4,119)	(5,030)
Operating profit	487	5,122	5,609	449	6,079	6,528

Details of discontinued activities are given in note 21.

4 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	35	33
Other services	24	20
Operating lease rentals:		
Plant and machinery	107	14
Other assets	6	17
Research and development expenditure	851	1,613
<i>after crediting</i>		
Government grants	67	-

5 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments	373	602
Company contributions to defined contribution pension schemes	30	61
Company contributions to defined benefit pension schemes	-	18
Compensation for loss of office	199	60
	602	741

Notes (continued)

5 Remuneration of directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £57,500 (2000: £187,000), and company pension contributions of £2,300 (2000: £18,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2001	2000
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	7	6
Defined benefit schemes	-	2

6 Staff numbers and costs

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

	2001	2000
Sales and marketing	87	112
Administration	66	74
Production	73	75
Warehousing	26	25
	<u>252</u>	<u>286</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	6,630	6,573
Social security costs	769	667
Other pension costs	419	568
	<u>7,818</u>	<u>7,808</u>

7 Net interest

	2001	2000
	£000	£000
Interest (payable)/receivable from group undertakings	(37)	2
Bank interest (payable)/receivable	(35)	5
	<u>(72)</u>	<u>7</u>

Notes (continued)

8 Taxation

	2001 £000	2000 £000
UK corporation tax	1,806	2,085
Deferred tax	(3)	54
	<u>1,803</u>	<u>2,139</u>

9 Dividends

	2001 £000	2000 £000
Equity shares:		
Interim dividend paid	1,830	1,250

10 Intangible fixed assets

	Know-how £000	Product licence £000	Total £000
Cost			
At beginning and end of year	2,050	30	2,080
Amortisation			
At beginning of year	208	30	238
Charge	400	-	400
At end of year	608	30	638
Net book value			
At 31 March 2001	1,442	-	1,442
At 31 March 2000	1,842	-	1,842

Notes (continued)

11 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At beginning of year	5,089	9,351	1,410	15,850
Additions	2,038	1,633	284	3,955
Disposals	(358)	(4,395)	(734)	(5,487)
At end of year	6,769	6,589	960	14,318
Depreciation				
At beginning of year	334	6,343	718	7,395
Charged in year	172	802	242	1,216
Disposals	(18)	(3,397)	(522)	(3,937)
At end of year	488	3,748	438	4,674
Net book value				
At 31 March 2001	6,281	2,841	522	9,644
At 31 March 2000	4,755	3,008	692	8,455

Freehold properties includes land amounting to £714,000 at valuation (2000: £810,000) which is not depreciated.

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 Tangible fixed assets.

Land and buildings

	2001 £000	2000 £000
At valuation	2,830	3,080
Aggregate depreciation thereon	(86)	(47)
Net book value	2,744	3,033
Historical cost of revalued assets	2,812	3,155
Aggregate depreciation thereon	(1,601)	(1,506)
Historical cost net book value	1,211	1,649

The last full valuation was performed at 31 December 1998 by members of the Royal Institution of Chartered Surveyors.

Under the transitional provisions of FRS15, revalued properties will continue to be carried at their revalued amounts with no further valuations being undertaken.

Notes (continued)

12 Fixed asset investments

	Shares in participating interests £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	112
<i>Provisions</i>	
At beginning and end of year	112
<i>Net book value</i>	
At 31 March 2001 and 31 March 2000	-

The company owns the whole of the issued ordinary share capital of Osro-Canning Limited and of W Canning Materials Exports Limited, both of which are incorporated in England. Both companies are dormant companies. The cost of these investments was £2 and £100 respectively.

The shares in participating interest represent the cost of the company's investment in 50% of the issued share capital of Canning Ronal Limited (less amounts written off) an intermediate holding company, which held 90% of the issued share capital of Canning Ronal Pty Limited, which operated in Australia.

13 Stocks

	2001 £000	2000 £000
Raw materials and consumables	1,623	2,231
Finished goods and goods for resale	1,949	1,476
	<u>3,572</u>	<u>3,707</u>

The current replacement cost of stock does not materially differ from the historical costs shown above.

The company holds certain stock on consignment from suppliers. This stock is invoiced on the drawdown of the stock. Such stock amounts to £106,000 (2000: £224,000) and has been excluded from the balance sheet.

Notes (continued)

14 Debtors

	2001 £000	2000 £000
Trade debtors	6,432	8,773
Amounts owed by group undertakings	1,171	1,542
Other debtors	1,298	356
Prepayments and accrued income	246	209
	<u>9,147</u>	<u>10,880</u>

15 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	199	131
Trade creditors	3,176	4,617
Amounts owed to group undertakings	3,285	1,974
Corporation tax	189	1,123
Other taxation and social security	201	542
Other creditors	677	2,885
Accruals and deferred income	597	517
	<u>8,324</u>	<u>11,789</u>

16 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	118
Profit and loss account	(3)
	<u>115</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001 Provided £000	Unprovided £000	2000 Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	176	382	273	305
Other timing differences	(61)	-	(155)	-
	<u>115</u>	<u>382</u>	<u>118</u>	<u>305</u>

The properties which have been revalued are occupied for the purpose of the company's trade and consequently any gains arising in the UK on disposals are normally eligible for rollover relief. No provision in respect of potential taxation on capital gains has therefore been made.

Notes (continued)

17 Called up share capital

	2001 £000	2000 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3,000	3,000

18 Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	1,135	711	8,288
Retained profit for the year	-	-	2,277
Transfer from revaluation reserve on disposal of property	-	(320)	320
At end of year	1,135	391	10,885

19 Contingent liabilities

The company has received a grant from the Department of Trade and Industry for £500,000. This is subject to it maintaining certain staffing levels in its operations, up to the year 2003. In the event of the company not achieving the targeted employment levels, the company may have to repay the grant. At this stage, all employment levels are being achieved.

The company is party to a claim from a supplier in respect of the early termination of a supply contract. The unprovided element of the claim is £240,000. The company's solicitors consider that the claim is unlikely to succeed. Accordingly, no further provision has been made in these financial statements.

The company has guaranteed the borrowings of a fellow group company, MacDermid Espanola s.a., amounting to Ptas 240 million (£0.9 million).

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 Land and buildings £000	Other £000	2000 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	13	-	-
In the second to fifth years inclusive	-	62	-	205
Over five years	-	-	-	-
	-	75	-	205

Notes (continued)

21 Discontinued operations

During the year, MacDermid plc disposed of its Silicone and Hylomar Divisions. The effect of the disposals were as follows:

	£000
Net assets disposed of	
Tangible fixed assets	400
Stocks	677
Debtors	768
	<hr/>
Net assets	1,845
Profit on disposal	-
	<hr/>
Consideration	1,845
	<hr/>
Satisfied by	
Cash proceeds less costs of disposals	1,845
	<hr/>

22 Pension 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 was established as a separate fund and administered by a corporate trustee. The scheme's assets are invested independently of the group with no element of self-investment.

The last actuarial valuation of the scheme was carried out by independent consulting actuaries in March 2000 and based on valuation date of 6 April 1999. The valuation was performed using the market related approach. The key assumptions used were investment return of 6% per annum and salary escalation of 3%. It showed that the scheme had sufficient assets (valued at £29 million) to meet in full retirement benefits accrued to the valuation dates and that the recommended contribution rate would have been sufficient to provide the balance of benefits anticipated to accrue in future had the defined benefit basis of the scheme continued. The valuation also considered the effect on the funding position of the conversion to a defined contribution basis for pensionable service on or after 6 April 1997 and proposed improvements to benefits from that date and concluded that the scheme had sufficient assets to cover 110% of its liabilities on the revised basis.

From 1 June 1999, the company also operated the MacDermid G.B. pension scheme covering those employees transferred with the trade and assets of MacDermid G.B. Limited. This scheme provided benefits based on final earnings. The most recent actuarial valuation showed that the scheme's assets represented 90% of the benefits which had accrued to members after allowing for expected future increases in earnings. Extra contributions to eliminate this unfunded past service liability were made in the year to 31 March 2000 in accordance with the actuary's advice. Subsequently, the active members of this scheme were transferred to the MacDermid Canning Pension Scheme.

Notes *(continued)*

23 Related party disclosures

As a wholly-owned subsidiary, the company has taken advantage of the exemption under Financial Reporting Standard 8 and has not disclosed details of transactions with other subsidiaries or investees of the MacDermid Incorporated group.

24 Parent companies

MacDermid (UK) Limited heads the smallest group for which consolidated accounts are prepared and in which the results of the company are included.

The ultimate parent undertaking is MacDermid Incorporated which is registered in the United States of America. Copies of the group financial statements are available to the public from the following address:

245 Freight Street, Waterbury, Connecticut, 06702, United States of America.