

Company Registration No. 01290882 (England and Wales)

**MACDERMID PERFORMANCE SOLUTIONS UK
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

COMPANY INFORMATION

Directors	P A Bray J E Capps T J Clarke S G Sheffield
Company number	01290882
Registered office	Unit 2 Genesis Business Park Albert Drive Sheerwater Woking Surrey United Kingdom GU21 5RW
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Principal activities and business review

The principal activities of the company continue to be the manufacture and supply of specialty 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 Performance Solutions UK Limited is a wholly-owned subsidiary of MacDermid Continental Investments Limited.

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 and safety legislation changes.

Results and dividends

The performance of the company showed an increase in turnover of 2.48% from 2017.

The results of the company show profit before taxation of £2.6m (2017: £1.5m) for the year and turnover of £28.6m (2017: £27.9m). The trading results for the year and the company's financial position at the end of the year are set out on pages 10 and 11 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, recharges amounted to £2.3m (2017: £2.2m).

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 increased by 2.5% (2017: increased by 35.6%) with sales to UK customers increasing by 8.3% (2017: increased by 39.1%). Sales to other EU countries decreased by 15.1% (2017: increased by 39.8%) whilst sales to the rest of the world have increased by 37.6% (2017: increased by 14.6%) and a decrease in sales in the Republic of South Africa, driven by the business environment, of 7.7% (note 3). The company made an operating profit of £2.1m compared to an operating profit of £0.4m in 2017.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

The directors are not, at the date of this report, aware of any other major changes in the company's activities in the next year.

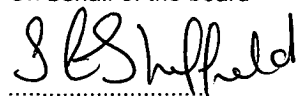
It is still too early to know how the exit from the EU will impact on the company. The reduction in the rate of sterling against the US Dollar and Euro has been helpful to the company as the majority of its sales are exported to these two currency zones. Around 40% of the company's sales are exports to EU countries. The company benefits from the free movement of goods into and imported from the EU and it hopes that the negotiated exit treaty will minimise any adverse impacts on these movement.

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 ES OHSAS 18001 - Occupational health and safety management systems. During 2015 the new standard SO 45001 - Occupational health and safety management systems was published, the company's safety management system has since been modified to comply with this standard and align with new standards for ISO 9001 and ISO 14001.

On behalf of the board



S G Sheffield

Director

Date: 30/07/2019

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of 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.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P A Bray	
J E Capps	(Appointed 31 March 2019)
T J Clarke	
J P Connolly	(Resigned 31 March 2019)
S G Sheffield	

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

On 7 September 2018 the company acquired 100% of the issued ordinary share capital of MacDermid Holdings B.V. from a fellow group company, MacDermid Continental Investments Limited, in exchange for the issue of 1 Ordinary share of £1. Management believe that the fair value of MacDermid Holdings B.V. on the date of transfer, and consequently the consideration for the share issued, was £409,540,000.

MacDermid Enthone UK Ltd a wholly owned subsidiary paid £1,685,650 on 07 June 2019 as a final dividend of all reserves and share capital. The subsidiary is in the process of being dissolved.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management

The main risks arising from the company's financial instruments are interest rate cash flow, 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 circumstance.

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.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Foreign currency risk

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

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.

Price 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.

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.

Employee involvement

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 give 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 the 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 Element Solutions Inc 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- particulars of any important events affecting the company which have occurred since the end of the financial year required by paragraph 7(1)(a); and
- an indication of financial risk management objectives and policies of the company required by paragraph 7(1)(b).

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED


DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



S G Sheffield

Director

Date: 30/07/2019

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Annual Report and the audited financial statements in accordance with applicable law and regulation.

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

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

The directors are 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, MacDermid Performance Solutions UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

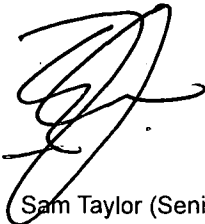
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 July 2019

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

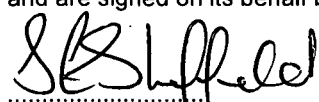
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	28,583	27,891
Cost of sales		(20,571)	(20,452)
Gross profit		8,012	7,439
Distribution costs		(2,580)	(2,524)
Administrative expenses		(5,508)	(6,691)
Other operating income		2,177	2,160
Operating profit	6	2,101	384
Interest receivable and similar income	7	556	1,110
Interest payable and similar expenses	8	(11)	(8)
Profit before taxation		2,646	1,486
Tax on profit	9	1,265	412
Profit for the financial year		3,911	1,898
Other comprehensive income			
Actuarial gain on defined benefit pension schemes		5	302
Tax relating to other comprehensive income		(1)	(51)
Total comprehensive income for the year		3,915	2,149

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		2,356		2,805
Investments	11		411,263		1,723
			<u>413,619</u>		<u>4,528</u>
Current assets					
Stocks	13	3,823		3,199	
Debtors	14	23,098		80,498	
Cash at bank and in hand		-		67	
		<u>26,921</u>		<u>83,764</u>	
Creditors: amounts falling due within one year	15	(3,632)		(65,900)	
Net current assets			<u>23,289</u>		<u>17,864</u>
Total assets less current liabilities			<u>436,908</u>		<u>22,392</u>
Creditors: amounts falling due after more than one year	16		(328)		(435)
Provisions for liabilities					
Deferred tax liability	18	-		(332)	
		<u>-</u>	<u>-</u>	<u>(332)</u>	<u>(332)</u>
Net assets excluding pension surplus			<u>436,580</u>		<u>21,625</u>
Defined benefit pension surplus	19		-		1,500
Net assets			<u>436,580</u>		<u>23,125</u>
Capital and reserves					
Called up share capital	20		3,000		3,000
Share premium account	21		411,222		1,682
Profit and loss reserves	21		22,358		18,443
Total equity			<u>436,580</u>		<u>23,125</u>

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:



S G Sheffield
Director

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2017		3,000	1,682	16,294	20,976
Year ended 31 December 2017:					
Profit for the year		-	-	1,898	1,898
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	302	302
Tax relating to other comprehensive income		-	-	(51)	(51)
Total comprehensive income for the year		-	-	2,149	2,149
Balance at 31 December 2017		3,000	1,682	18,443	23,125
Year ended 31 December 2018:					
Profit for the year		-	-	3,911	3,911
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	5	5
Tax relating to other comprehensive income		-	-	(1)	(1)
Total comprehensive income for the year		-	-	3,915	3,915
Issue of share capital	20	-	409,540	-	409,540
Balance at 31 December 2018		3,000	411,222	22,358	436,580

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

MacDermid Performance Solutions UK Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Unit 2 Genesis Business Park, Albert Drive, Sheerwater, Woking, Surrey, United Kingdom, GU21 5RW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000, unless stated otherwise.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

The financial statements of MacDermid Performance Solutions UK Limited are consolidated in the financial statements of Element Solutions Inc (formerly Platform Specialty Products Corporation) which are available from 1450 Centrepark Boulevard, Suite 210 West Palm Beach, Florida 33401, USA and are also available from www.elementsolutionsinc.com.

Going concern

The company meets its day-to-day working capital requirements through its intercompany financing arrangements. After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Turnover

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.

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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. 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.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Cost included the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	15 years straight line
Plant and equipment	5 to 14 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. In determining the cost, a weighted average cost basis is used.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit

Up until 2018 the company had a closed defined benefit scheme, which was transferred to external providers on 19 September 2018. No asset or liability was recognised at the year end.

Pension scheme assets were measured at market values. Pension scheme liabilities were 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 was recoverable) or deficit was recognised in full. Assets recognised were restricted to the extent that the company was able to recover the surplus through reduced contributions. The movement in the scheme was split between operating charges and finance items in the statement of comprehensive income.

The company's policy for accounting for a pension scheme buy-in was to recognise the impact in line with the company's interpretation of the accounting standard in force at the time. The company's policy was to recognise the settlement impact when the company was demonstrably committed to the transaction. In 2016, this was deemed to be when the Trustee of the scheme signed an agreement with the insurer to secure benefits in 2016. In line with the Company's interpretation of FRS 102 (after obtaining advice from its corporate pension advisors), the liabilities at the 2016 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 paragraph 28.15(b). MacDermid Performance Solutions UK Limited 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.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual value 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 assets. See note 10 for the carrying amount of the short leasehold, property plant and equipment and note 1 (Tangible fixed assets) for the useful economic lives for each asset class.

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 13 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 current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the carrying amount of the debtors and associated impairment provision.

Impairment of investments

The company makes use of estimates in determining the recoverable value of fixed asset investments.

The directors use their judgement to determine the extent to which fixed asset investments have a value that will benefit the performance of the company over future periods. To assist in making this judgement, the directors undertake an assessment of the carrying value of the company's investments in subsidiaries. In performing this assessment undertaken as at 31 December 2018 value in use was derived from the rolled up valuations of each entity in the group based on the multiple earnings approach from the lowest level of the group structure. Changes to the assumptions used in this assessment could significantly alter the directors' assessment of the carrying value of its investments.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover

	2018 £'000	2017 £'000
Turnover analysed by geographical market		
United Kingdom	20,787	19,201
Europe	6,361	7,494
Republic of South Africa	429	465
Rest of the world	1,006	731
	<u>28,583</u>	<u>27,891</u>

All turnover was derived from the company's principal activity, the manufacture and sale of specialised chemicals and industrial lubricants.

4 Employees

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

	2018 Number	2017 Number
Production	24	19
Sales and marketing	31	36
Warehousing	9	6
Administration	30	30
	<u>94</u>	<u>91</u>

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	3,964	3,832
Social security costs	421	428
Pension costs	263	397
	<u>4,648</u>	<u>4,657</u>

Defined benefit pension current service costs of £337,000 (2017: £938,000) have not been included in the above breakdown of costs.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	378	350
Company pension contributions to defined contribution schemes	28	27
	<u>406</u>	<u>377</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017: 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £'000	2017 £'000
Remuneration for qualifying services	158	146
Company pension contribution for the year	12	12
	<u>170</u>	<u>158</u>

6 Operating profit

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	-	75
Research and development costs	2,306	2,058
Research and development cost recharged to other group undertakings	(2,311)	(2,160)
Fees payable to the company's auditors for the audit of the company's financial statements	156	141
Depreciation of owned tangible fixed assets	671	641
Cost of stocks recognised as an expense	16,345	17,809
Impairment of stocks recognised	86	75
Operating lease charges	380	367
	<u>17,631</u>	<u>18,916</u>

Depreciation charges are included within administration expenses on the Statement of Comprehensive Income.

7 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Net interest on the net defined benefit asset	-	71
Interest receivable from group companies	556	1,039
	<u>556</u>	<u>1,110</u>
Total income	<u>556</u>	<u>1,110</u>

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest on bank overdrafts and loans	11	8

9 Taxation

	2018 £'000	2017 £'000
Current tax		
Adjustments in respect of prior periods	-	(67)
Income not included in the profit and loss account but taxable for tax purposes	-	37
Total current tax	-	(30)
Deferred tax		
Origination and reversal of timing differences	(1,009)	(7)
On pension costs charged to the profit and loss account	(256)	(375)
Total deferred tax	(1,265)	(382)
Total tax credit	(1,265)	(412)

The total tax credit for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	2,646	1,486
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	503	286
Change in unrecognised deferred tax assets	(1,057)	3
Effect of change in corporation tax rate	6	84
Group relief	(512)	(723)
Other permanent differences	(256)	(37)
Expenses not deductible for tax purposes	51	42
Adjustments in respect of prior periods	-	(67)
Taxation credit for the year	(1,265)	(412)

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation (Continued)

In addition to the amount credited to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	1	51

During the previous year, the Finance (No 2) Act 2015 came into force which reduced the corporation tax rate to 19% for the financial year ended 31 March 2018. Also during the prior year, the Finance Bill 2016 was enacted which will reduce the corporation tax rate to 17% for the financial year ended 31 March 2020.

10 Tangible fixed assets

	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	3,775	4,177	7,952
Additions	-	222	222
At 31 December 2018	3,775	4,399	8,174
Depreciation and impairment			
At 1 January 2018	2,181	2,966	5,147
Depreciation charged in the year	252	419	671
At 31 December 2018	2,433	3,385	5,818
Carrying amount			
At 31 December 2018	1,342	1,014	2,356
At 31 December 2017	1,594	1,211	2,805

11 Fixed asset investments

	Notes	2018 £'000	2017 £'000
Investments in subsidiaries	12	411,263	1,723

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2018	2,206
Additions	409,540
	<hr/>
At 31 December 2018	411,746
	<hr/>
Impairment	
At 1 January 2018 & 31 December 2018	483
	<hr/>
Carrying amount	
At 31 December 2018	411,263
	<hr/>
At 31 December 2017	1,723
	<hr/>

See note 20 in respect of the company's acquisition of MacDermid Holdings B.V. during the year.

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
MacDermid Enthone UK	a)	Ordinary	100.00	-
MacDermid Holdings B.V.	b)	Ordinary	100.00	-
MacDermid Hong Kong Ltd	c)	Ordinary	-	100.00
MacDermid Panyu Specialty Co Ltd	d)	Ordinary	-	100.00
MacDermid Technology (Suzhou) Co. Ltd	e)	Ordinary	-	100.00
MacDermid Enthone Technology (Suzhou) Co. Ltd.	e)	Ordinary	-	100.00
Alpha Metals Ltd	f)	Ordinary	-	100.00
MacDermid Performance Solutions Hong Kong Ltd.	g)	Ordinary	-	100.00
Enthone OMI (Hong Kong) Co. Ltd.	g)	Ordinary	-	100.00
Shenzhen Hua-Mei Electroplating Technology Co. Ltd.	h)	Ordinary	-	100.00
Alent Enthone Chemistry (Shanghai) Co. Ltd.	i)	Ordinary	-	100.00
MacDermid Enthone Technology Trading Shanghai Co. Ltd	i)	Ordinary	-	100.00
HuaMei (Tanjin) Electroplating Technology Co. Ltd.	j)	Ordinary	-	100.00
Alpha Metals China Holdings Co. Ltd.	f)	Ordinary	-	100.00
Alpha Assembly Solutions (Shenzhen) Co. Ltd	k)	Ordinary	-	100.00
Alpha Assembly Solutions (Shanghai) Trading Co. Ltd	l)	Ordinary	-	100.00
Alent Alpha Metals (Shanghai) Co. Ltd.	m)	Ordinary	-	100.00

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Subsidiaries (Continued)

Registered Office address:

- a) Unit 2 Genesis Business Park, Albert Drive, Woking, Surrey, GU21 5RW, United Kingdom
- b) Bredasweg 184, 4872 LA Etten-Leur, Netherlands
- c) 9th Floor Block B, Tai Ping Industrial Park, Tai Po New Territories Hong Kong.
- d) Wanqingsha Tower, Panyu City, Guangdong P.R.E, 511462, China.
- e) No. 23, Long Tan Road, Suzhou Industrial Park Phase 3, Suzhou, Jiangsu 215126, China.
- f) Suite 1106,8, 11/F., Tai Yau Building, No 181 Johnston Road, Wanchai, Hong Kong.
- g) 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- h) 4th Floor, No. 9 Factory Building, Tong Fu Yu Industrial City, Tanglang, Xili Town, Nanshan District, Shenzhen, China.
- i) No. 29 North Chuhua Road, Fengxian District, Shanghai, China.
- j) No. 11, 3rd Road, Wuqing Development Area, Hi-Tech Industrial Park, Tianjin, China.
- k) Tang Xia Chong Community, Songgang Sub-district, Bao An District, Shenzhen, China.
- l) Section A, 2nd Floor, Building 5, No 1151 Lianxi Road, Pudong New Area, Shanghai, China.
- m) Room 131, No. 38 Yinglun Road, China (Shanghai), Pilot Free Trade Zone

13 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	1,665	1,249
Finished goods and goods for resale	2,158	1,950
	<u>3,823</u>	<u>3,199</u>

Inventories are stated after provisions for impairment of £181,000 (2017: £95,000)

There is no significant difference between the replacement cost of finished goods in comparison to their carrying amounts.

14 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	4,718	5,209
Amounts owed by group undertakings	17,016	75,049
Prepayments and accrued income	432	240
	<u>22,166</u>	<u>80,498</u>
Deferred tax asset (note 18)	932	-
	<u>23,098</u>	<u>80,498</u>

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Debtors (Continued)

Trade debtors are stated after provisions for bad debts of £24,000 (2017: £31,000).

Intercompany loans are repayable at times and amounts demanded by the lender and are due from; MacDermid Continental Investments Limited £nil (2017: £7,029,000) at an interest rate of LIBOR plus 4%; MacDermid Canning Limited £nil (2017: £10,980,000) at an interest rate of LIBOR plus 3.25%; MacDermid Europe Limited £nil (2017: £4,165,000) at LIBOR plus 3.125% and £nil (2017: £3,221,000) at LIBOR plus 2.75%, MacDermid Performance Acquisitions Ltd £16,048,000 (2017: £nil).

All other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Creditors: amounts falling due within one year

	Notes	2018 £'000	2017 £'000
Bank loans and overdrafts	17	150	-
Trade creditors		1,148	2,179
Amounts due to group undertakings		1,241	62,663
Other taxation and social security		128	98
Accruals and deferred income		965	960
		<u>3,632</u>	<u>65,900</u>

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

16 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Accruals and deferred income	<u>328</u>	<u>435</u>

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

17 Borrowings

	2018 £'000	2017 £'000
Bank overdrafts	<u>150</u>	<u>-</u>
Payable within one year	<u>150</u>	<u>-</u>

Bank overdrafts are secured over the tangible and intangible assets of the company, as well as certain assets of other group undertakings under the group financing arrangement disclosed in note 22.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

18 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2018 £'000	Liabilities 2017 £'000	Assets 2018 £'000	Assets 2017 £'000
Balances:				
Accelerated capital allowances	-	78	(30)	-
Other timing differences	-	-	962	-
Post-employment benefits	-	254	-	-
	<u>-</u>	<u>332</u>	<u>932</u>	<u>-</u>
				2018 £'000
Movements in the year:				
Liability at 1 January 2018				332
Credit to profit or loss				(1,265)
Charge to other comprehensive income				1
				<u>(932)</u>
Liability/(Asset) at 31 December 2018				

The deferred tax asset set out above is expected to reverse within the foreseeable future and relates to the utilisation of tax losses against future expected profits of the same period. As at 31 December 2017 these tax losses were unrecognised.

19 Post-employment benefits

	2018 £'000	2017 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>263</u>	<u>397</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Defined benefit schemes

The principal scheme operated in the UK is the MacDermid Canning Pension Scheme. It is 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.

Following the issuance of individual policies and transfer of liability to the Insurer, a settlement in respect of the entire defined benefit obligation was recognised on 1 December 2017. As at 31 December 2018, liabilities and surplus assets of the scheme have now all been discharged and distributed (with the scheme bank account closing on 23 October 2018), and there is expected to be no future defined benefit pension expense in relation to this plan.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19 Post-employment benefits (Continued)

	2018	2017
	%	%
<i>Key assumptions</i>		
Discount rate	-	2.55
Expected rate of increase of pensions in payment	-	3.35
RPI inflation assumption	-	3.45
CPI inflation assumption	-	2.35
	=====	=====
<i>Mortality assumptions</i>	2018	2017
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	-	23
- Females	-	26
	=====	=====
Retiring in 20 years		
- Males	-	25
- Females	-	28
	=====	=====
	2018	2017
	£'000	£'000
<i>Amounts recognised in the income statement</i>		
Current service cost	-	938
Net interest on defined benefit asset	-	(71)
Accrued scheme closure costs	-	1,192
	=====	=====
Total costs	-	2,059
	=====	=====
	2018	2017
	£'000	£'000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(5)	(2,050)
Less: calculated interest element	-	1,224
	=====	=====
Return on scheme assets excluding interest income	(5)	(826)
Actuarial changes related to obligations	-	524
	=====	=====
Total income	(5)	(302)
	=====	=====

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19 Post-employment benefits (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	-	1,192
Fair value of plan assets	-	(2,692)
	<u>-</u>	<u>(2,692)</u>
Surplus in scheme	-	(1,500)
	<u>-</u>	<u>(1,500)</u>

	2018 £'000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2018	1,192
Administration expenses paid	(1,192)
	<u>-</u>
At 31 December 2018	<u>-</u>

The defined benefit obligations arise from plans which are wholly unfunded.

	2018 £'000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2018	2,692
Return on plan assets (excluding amounts included in net interest)	5
Contributions by the employer	(2,360)
Administration costs incurred	(337)
	<u>-</u>
At 31 December 2018	<u>-</u>

	2018 £'000	2017 £'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Others, including cash	-	2,692
	<u>-</u>	<u>2,692</u>

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Called up share capital

	2018 £'000	2017 £'000
Ordinary share capital		
Issued and fully paid		
3,000,002 (2017: 3,000,001) Ordinary shares of £1 each	3,000	3,000

The company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

On 7 September 2018 the company acquired 100% of the issued ordinary share capital of MacDermid Holdings B.V. from a fellow group company, MacDermid Continental Investments Limited, in exchange for the issue of 1 Ordinary share of £1. Management believe that the fair value of MacDermid Holdings B.V. on the date of transfer equated to the accounting value, and consequently the consideration for the share issued was £409,540,000; the book value in the financial statements of MacDermid Continental Investments Limited at the date of transfer.

21 Reserves

Share premium

The share premium account represents consideration received for shares issued above their nominal value net of transaction costs. The increases in share premium of £490,540,000 in 2018 was payment for the assets acquired from MacDermid Holdings B.V. (see note 20).

Profit and loss reserves

The profit and loss reserves represent cumulative profit and loss net of distribution to owners.

22 Financial commitments, guarantees and contingent liabilities

On 13 April 2016, the company entered into a guarantee in respect of the bank borrowings of fellow subsidiary undertakings of Element Solutions Inc group (formerly Platform Specialty Products Corporation group). The guarantee is secured by a charge of the company's tangible and intangible assets. At 31 December 2018, the directors believe that the group will continue to meet its liabilities under its credit agreement and that there was no financial effect on the company as a result of providing this guarantee.

After the reporting date, on 31 January 2019, Element Solutions Inc paid down its existing credit agreement. As a result, the credit agreement was terminated, releasing the company and the other guarantors thereto from their obligations, including the guarantee mentioned above.

MACDERMID PERFORMANCE SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	748	353
Between one and five years	2,400	1,377
In over five years	4,619	134
	<u>7,767</u>	<u>1,864</u>

As at 31 December 2017, management believed it was more likely than not that they would utilise a break clause within one of their warehouse leases and consequently included the payments due up to the break date of April 2023. At 31 December 2018, management have reviewed this assessment and now believe that it is more likely than not that the break clause will not be utilised and have now included the payments due up to the end of the lease agreement in April 2033.

24 Controlling party

As at 31 December 2017 the immediate parent company was MacDermid Performance Solutions Italiana srl, a company incorporated in Italy. MacDermid Performance Solutions Italiana srl has its registered office at: Via Botalla No. 3, Biella 13900, Italy.

On 13 August 2018 MacDermid Continental Investments Limited, a company incorporated in the United Kingdom, purchased 100% of the issued ordinary share capital of the company and became the immediate parent company. MacDermid Continental Investments Limited has its registered office Unit 2 Genesis Business Park Albert Drive, Sheerwater, Woking, Surrey, United Kingdom, GU21 5RW.

The ultimate controlling entity is Element Solutions Inc (formerly Platform Specialty Products Corporation), a company incorporated in the United States of America. Element Solutions Inc has its registered office at: 1450 Centrepark Boulevard, Suite 210 West Palm Beach, Florida 33401, USA. There have been no changes to the ultimate controlling entity during the year.

The largest and smallest group in which the results of the company are consolidated is headed by Element Solutions Inc, a company incorporated in the United States of America. The consolidated financial statements of the group are available to the public and may be obtained from the following address: 1450 Centrepark Boulevard, Suite 210 West Palm Beach, Florida 33401, USA and are also available from www.elementsolutionsinc.com.