

**COVERIS FLEXIBLES (GAINSBOROUGH) UK  
LIMITED (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**ANNUAL REPORT AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

FRIDAY



\*A3H9355L\*

A44

26/09/2014

#316

COMPANIES HOUSE

**COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)  
LIMITED (REGISTERED NUMBER: 04786458)**

**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2 to 3</b>
<b>Report of the Directors</b>	<b>4 to 5</b>
<b>Report of the Independent Auditors</b>	<b>6 to 7</b>
<b>Profit and Loss Account</b>	<b>8</b>
<b>Balance Sheet</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10 to 17</b>

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2013**

<b>DIRECTORS:</b>	A C Lennon I R B Partington D Patterson K R Bostock M E Lapping
<b>SECRETARY:</b>	K R Bostock
<b>REGISTERED OFFICE:</b>	Holland Place Wardentree Park Pinchbeck Spalding Lincolnshire PE11 3ZN
<b>REGISTERED NUMBER:</b>	04786458 (England and Wales)
<b>INDEPENDENT AUDITORS:</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ
<b>BANKERS:</b>	Barclays Bank plc Third Floor 15 Colmore Row PO Box 3333 Birmingham B3 2WN
<b>SOLICITORS:</b>	DLA Piper Princes Exchange Princes Square Leeds LS1 4BY

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their strategic report for the year ended 31 December 2013.

**REVIEW OF BUSINESS**

As shown in the profit and loss account on page 8, revenues increased by 9% to £40.8m (2012: £37.4m) as a result of increases in output volumes. Despite the tough economic climate, our strategy of investing in our staff and equipment (£3.0m was spent during 2013 on new equipment and improvements to our factories) resulted in gross margins being maintained at 21% (2012: 21%). Administrative expenses remained under tight control with overall costs at £4.3m (2012: £3.9m). The overall tax charge for the year has increased to £2.6m (2012: £0.1m) predominantly due to the impact of a prior period adjustment for group relief. This has resulted in a profit for the year of £1.5m (2012: £3.9m) whilst EBITDA has increased to £6.6m (2012: £5.8m).

As shown in the balance sheet on page 9, the level of total fixed assets has increased by £0.8m. The overall capital expenditure on property, plant and equipment has been higher than the annual depreciation charge. Net working capital has increased by £1.3m, which is predominantly due to increases in debtor days and the timing of purchases of raw materials.

The group continues to trade well despite the difficult economic climate. Although we foresee that the consumer market will remain challenging, our management team and customer relationships are such that we anticipate continued sustainable growth.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal and financial risks and uncertainties are managed on a group wide basis. The management of the business and the execution of the group's strategy are subject to a number of principal risks and uncertainties, the most significant being raw material price inflation, product quality and customer relationship/demand management.

Raw material price inflation, either caused by fluctuations in commodity prices or foreign exchange rates, can have an impact on the cost price of the group's products. The group has a dedicated operational team that consolidates the group purchasing to build strong relationships with key suppliers and also ensure that we have sufficient raw materials to meet forecasted demand. Purchasing contracts are agreed in advance in order to minimise the risk of commodity price fluctuations having a negative impact on the group. The group also regularly reviews its operational format and invests in new machinery and techniques in order to minimise raw material stock wastage.

Product quality is of paramount importance as a failure in product quality could have a significant impact on the group. Our raw materials are sourced from a stable supplier base and pass through a number of quality control processes, both at our suppliers and at our manufacturing locations. Suppliers are selected based upon previous experience and we operate approved supplier lists. Batches of products are tested daily for quality to ensure they meet the group's stringent standards, prior to being despatched to our customers.

Maintaining good working relationships with customers is of paramount importance to the group, therefore being able to predict customer demand and responding to customer requests is key to achieving this. The group utilises its own experience to forecast customer demand and also regularly meets with key customers to identify any changes in demand. The group has also invested in a number of manufacturing plants based across the United Kingdom, in upgrading its plant and machinery and in training its dedicated workforce in order to allow the group to respond to changes in demand whilst maintaining its strict quality standards.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**FINANCIAL RISK MANAGEMENT**

Due to being part of the Coveris group, the financial risk management of the company is managed on a group wide basis by the Coveris Holdings SA central finance team. The financial risk management risks and policies are disclosed in the consolidated financial statements of Coveris Holdings SA. The elements which are controlled by the company are disclosed below:

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, interest bearing liabilities comprise of bank overdrafts and intercompany loans. The assets are subject to interest rate fluctuations as are the bank overdraft liabilities, the intercompany loan liabilities are free from interest. The group reviews its interest rate policy on a regular basis.

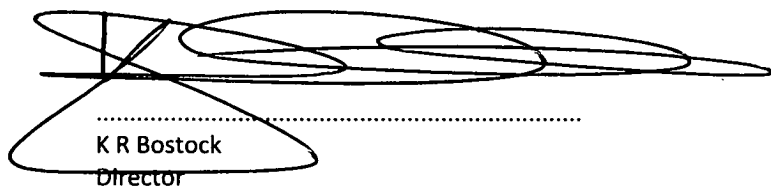
The company is exposed to liquidity risk. The company has committed financing through its parent undertakings and the group finance team regularly monitor available cash balances and available facilities to ensure that the group has sufficient funds to meet its obligations.

The company is exposed to credit risk as a result of its operations. Prior to sales being made appropriate checks are performed over the ability of the customer to pay. Regular reviews of credit limits and monitoring of the aged debtors ledger are utilised to minimise the risk to the group on an ongoing basis. Credit insurance is also utilised to further mitigate the risk of loss to the Group.

**KEY PERFORMANCE INDICATORS ("KPIs")**

Given the straightforward nature of the businesses within the group, the company's directors are of the opinion that analysis using KPI's, other than that included within the review of business, is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board:



.....  
K R Bostock  
Director

24 September 2014

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

**CHANGE IN NAME**

The company changed its name from Paragon Flexible Packaging Limited to Coveris Flexibles (Gainsborough) UK Limited on 14 February 2014.

**FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT**

These are included within the strategic report on pages 2 and 3.

**DIVIDENDS**

An interim dividend of £1,000,000 per share was paid on 31 December 2013. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2013 will be £1,000,000.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

A C Lennon  
I R B Partington  
D Patterson  
K R Bostock

Other changes in directors holding office are as follows:

M E Lapping - appointed 17 June 2013

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**EMPLOYEES**

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the bonus schemes linked to operating profit.

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

Consultation with employees or their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

**DISABLED EMPLOYEES**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

**EMPLOYEE INVOLVEMENT**

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through bonus schemes linked to operating profit.

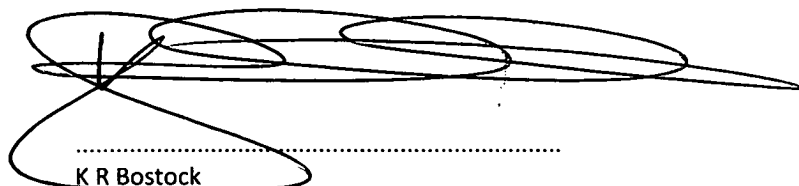
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke.

.....  
K R Bostock

Director

24 September 2014

# **Independent auditors' report to the members of Coveris Flexibles (GAINSBOROUGH) UK Limited (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

## **Report on the financial statements**

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by Coveris Flexibles (Gainsborough) UK Limited (formerly Paragon Flexible Packaging Limited), comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **What an audit of financial statements involves**

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

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

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

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

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



# **Independent auditors' report to the members of Coveris Flexibles (GAINSBOROUGH) UK Limited (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED) (Continued)**

## **Other matters on which we are required to report by exception**

### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

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

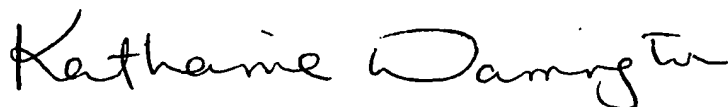
## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Katharine Warrington (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
24 September 2014

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
<b>TURNOVER</b>	2	<b>40,765</b>	37,351
Cost of sales		<b>(32,078)</b>	<b>(29,451)</b>
<b>GROSS PROFIT</b>		<b>8,687</b>	7,900
Administrative expenses		<b>(4,264)</b>	<b>(3,924)</b>
<b>OPERATING PROFIT</b>	4	<b>4,423</b>	3,976
Interest receivable and similar income		3	4
Interest payable and similar charges	5	<b>(257)</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,169</b>	3,980
Tax on profit on ordinary activities	6	<b>(2,643)</b>	<b>(92)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,526</b>	<b>3,888</b>

**CONTINUING OPERATIONS**

All activities are in respect of continuing operations.

The company had no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

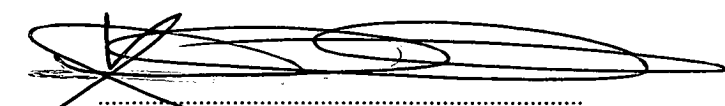
There is no difference between the profit on ordinary activities before tax and the profit for the financial year stated above, and their historical cost equivalents.

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**BALANCE SHEET  
31 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	11,563	10,754
<b>CURRENT ASSETS</b>			
Stocks	9	5,374	4,553
Debtors	10	26,814	10,799
(includes £18.5m (2012:£2.1m) due after more than one year)			
Cash in hand		<u>404</u>	<u>4,018</u>
		32,592	19,370
<b>CREDITORS</b>			
Amounts falling due within one year	11	<u>(9,790)</u>	<u>(6,868)</u>
<b>NET CURRENT ASSETS</b>		<u>22,802</u>	<u>12,502</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>34,365</u>	<u>23,256</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	(22,455)	(11,761)
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>(563)</u>	<u>(674)</u>
<b>NET ASSETS</b>		<u>11,347</u>	<u>10,821</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	-	-
Profit and loss account	17	<u>11,347</u>	<u>10,821</u>
<b>SHAREHOLDERS' FUNDS</b>	22	<u>11,347</u>	<u>10,821</u>

The financial statements on pages 8 to 17 were approved by the Board of Directors on 24 September 2014 and were signed on its behalf by:



.....  
K R Bostock  
Director

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The principal accounting policies, which have been consistently applied throughout the current and preceding year in the preparation of these financial statements, are set out below.

**Accounting convention**

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 and under the historical cost convention. In accordance with FRS18 "Accounting policies" the directors have reviewed the policies and deem them to be the most appropriate for the company.

**Financial reporting standard 1**

The company has not prepared a cash flow statement. Exemption has been claimed under Financial Reporting Standard 1 on the basis that the company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group, and consolidated financial statements, which include the subsidiary undertaking, are publicly available.

**Financial reporting standard 8**

The company has taken advantage of the exemption given in Financial Reporting Standard 8 relating to disclosure of related party transactions with entities that are part of the group. Financial Reporting Standard 8 does not require disclosure in the financial statements of entities wholly owned within the group.

**Turnover**

Turnover represents amounts invoiced for the provision of goods and/or services provided during the year, excluding value added tax and after deducting for agreed trade/settlement discounts expected, at the date of entering the transaction, to be claimed by customers based upon agreed terms of trade.

Where these discounts are claimed retrospectively, or are dependent on the customer achieving certain criteria, for example year on year sales growth, the turnover is recorded after making accruals for amounts due to customers based upon trading in the year and forecasted trading where the agreements are not coterminous with the companies year end.

Turnover is recognised upon acceptance of the product / service by the customer, typically this occurs when the product is delivered to the customer or where the design is accepted by the customer.

**Tangible fixed assets**

Tangible fixed assets are recorded at the purchase price, including any costs associated with bringing the assets into their working condition and location. They are considered for impairment where impairment triggers are identified and are depreciated, via a straight line approach, over their useful economic lives, as detailed below, to nil residual value:

Long leasehold	- over the term of the lease
Plant and machinery	- 10% on cost
Fixtures and fittings	- 15 - 33% on cost

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**1. ACCOUNTING POLICIES - continued**

**Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the estimated selling price less further costs expected to be incurred in bringing the stocks to completion and disposal. Finished goods include the cost of materials, labour and attributable overheads at normal levels of production. Where necessary, provision is made for obsolete, slow moving and defective stocks based upon expected sales volumes, ageing of stock and expected net sales prices.

**Tax**

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

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

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the corporation tax and deferred tax provisions in the period in which such determination is made.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account.

**Government grants**

Grants have been accounted for as deferred income and recognised in the profit and loss account over the useful economic life of the assets to which they relate.

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease period to the next rent review. Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

**Investments**

Fixed asset investments are stated at cost unless in the opinion of the directors, there has been an impairment, in which case an appropriate adjustment has been made.

**Research and development**

Costs incurred in relation to research and development and expensed as incurred.

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**2. TURNOVER**

As the business is managed on a unified basis with the principal risks, uncertainties and key customers not differing significantly between the trading subsidiary companies the directors consider that the turnover and loss before taxation are attributable to the one principal activity. An analysis of turnover by geographical market is given below:

	2013 £'000	2012 £'000
United Kingdom	40,005	36,731
Europe	696	604
Other	<u>64</u>	<u>16</u>
	<b><u>40,765</u></b>	<b><u>37,351</u></b>

**3. STAFF COSTS**

	2013 £'000	2012 £'000
Wages and salaries	6,200	5,810
Social security costs	657	614
Other pension costs	<u>133</u>	<u>110</u>
	<b><u>6,990</u></b>	<b><u>6,534</u></b>

The average monthly number of employees during the year was as follows:

	2013	2012
Directors	4	4
Production	155	145
Administration	<u>51</u>	<u>51</u>
	<b><u>210</u></b>	<b><u>200</u></b>

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2013 £'000	2012 £'000
Depreciation - owned assets	2,148	1,842
Loss on disposal of fixed assets	-	3
Auditors' remuneration	20	14
Foreign exchange differences	(1)	27
Operating lease rentals - land and buildings	728	739
Operating lease rentals - other	<u>157</u>	<u>268</u>

Auditors' remuneration relates to amounts received in relation to the audit of the company financial statements. In addition fees of £5,000 (2012: £5,000 were paid to the auditor in relation to taxation compliance services provided during the year.

The Directors were remunerated by a parent company and therefore the disclosure of their emoluments is included within the disclosures made for Paragon Print and Packaging (Holdings) Limited.

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £'000	2012 £'000
Bank loan interest	<u>257</u>	<u>-</u>

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	1,068	303
Adjustment in respect of previous years	<u>1,685</u>	<u>(1)</u>
Total current tax	<b>2,753</b>	302
Deferred tax	<u>(110)</u>	<u>(210)</u>
Tax on profit on ordinary activities	<u><b>2,643</b></u>	<u>92</u>

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>4,169</u>	<u>3,980</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	969	975
Effects of:		
Adjustments to tax charge in respect of previous periods	1,685	(1)
Expenses not deductible for corporation tax	24	124
Capital allowances in the period in excess of depreciation	75	131
Group relief	<u>-</u>	<u>(927)</u>
Current tax charge	<u><b>2,753</b></u>	<u>302</u>

**Factors affecting the future tax charges:**

During the year, as a result of the change in the UK corporation tax rate to 23%, effective from 1 April 2013, and with a further reduction to the UK corporation tax rate announced which proposes to reduce the rate to 20% from 1 April 2015, the relevant deferred tax balances have been re-measured.

**7. DIVIDENDS**

	2013 £'000	2012 £'000
Interim	<u>1,000</u>	<u>3,000</u>

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**8. TANGIBLE FIXED ASSETS**

	Long leasehold £'000	Plant and machinery £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>				
At 1 January 2013	142	15,038	2,612	17,792
Additions	-	2,671	286	2,957
Reclassification/transfer	-	4	(4)	-
At 31 December 2013	<u>142</u>	<u>17,713</u>	<u>2,894</u>	<u>20,749</u>
<b>DEPRECIATION</b>				
At 1 January 2013	(31)	(5,644)	(1,363)	(7,038)
Charge for year	<u>(5)</u>	<u>(1,749)</u>	<u>(394)</u>	<u>(2,148)</u>
At 31 December 2013	<u>(36)</u>	<u>(7,393)</u>	<u>(1,757)</u>	<u>(9,186)</u>
<b>NET BOOK VALUE</b>				
At 31 December 2013	<u>106</u>	<u>10,320</u>	<u>1,137</u>	<u>11,563</u>
At 31 December 2012	<u>111</u>	<u>9,394</u>	<u>1,249</u>	<u>10,754</u>

**9. STOCKS**

	2013 £'000	2012 £'000
Raw materials	2,215	2,038
Finished goods	<u>3,159</u>	<u>2,515</u>
	<u>5,374</u>	<u>4,553</u>

**10. DEBTORS**

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	7,979	6,891
Other debtors	65	46
Corporation tax	-	1,464
Prepayments	<u>313</u>	<u>287</u>
	<u>8,357</u>	<u>8,688</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>18,457</u>	<u>2,111</u>
Aggregate amounts	<u>26,814</u>	<u>10,799</u>



**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**10. DEBTORS - continued**

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. The directors of the company have provided confirmations to the counter parties that these amounts will not be called for payment for a period of at least twelve months from the balance sheet date and therefore have disclosed these amounts as being repayable after one year above.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £'000	2012 £'000
Bank loans and overdrafts (see note 13)	1,916	-
Trade creditors	2,582	3,389
Corporation tax	562	-
Other taxes and social security	1,394	1,458
Other creditors	1,564	646
Accruals and deferred income	<u>1,772</u>	<u>1,375</u>
	<b><u>9,790</u></b>	<b><u>6,868</u></b>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013 £'000	2012 £'000
Amounts owed to group undertakings	<u>22,455</u>	<u>11,761</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The directors of the company have received confirmations from the counter parties that these amounts will not be called for payment for a period of at least twelve months from the balance sheet date and therefore have disclosed these amounts as being payable after one year above.

**13. LOANS**

An analysis of the maturity of loans is given below:

	2013 £'000	2012 £'000
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>1,916</u>	<u>-</u>

**14. OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other operating leases	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiring:				
Within one year	-	-	27	35
Between one and five years	-	-	124	152
In more than five years	<u>732</u>	<u>723</u>	<u>47</u>	<u>52</u>
	<b><u>732</u></b>	<b><u>723</u></b>	<b><u>198</u></b>	<b><u>239</u></b>

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**15. PROVISIONS FOR LIABILITIES**

	2013 £'000	2012 £'000
Deferred tax		
Accelerated capital allowances	606	674
Other timing differences	<u>(43)</u>	<u>-</u>
	<b><u>563</u></b>	<b><u>674</u></b>

	Deferred tax £'000
Balance at 1 January 2013	674
Credit to profit and loss account during year	<u>(111)</u>
Balance at 31 December 2013	<b><u>563</u></b>

Deferred tax has been provided at 20% (2012: 23%)

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £	2012 £
1	Ordinary	£1	<u>1</u>	<u>1</u>

**17. RESERVES**

	Profit and loss account £'000
At 1 January 2013	10,821
Profit for the year	1,526
Dividends	<u>(1,000)</u>
At 31 December 2013	<b><u>11,347</u></b>

**18. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. Contributions payable are charged in the profit and loss account. At the year end £23,200 (2012 - £Nil) was outstanding.

**COVERIS FLEXIBLES (GAINSBOROUGH) UK LIMITED COVERIS FLEXIBLES (GAINSBOROUGH) UK (FORMERLY PARAGON FLEXIBLE PACKAGING LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 - CONTINUED**

**19. ULTIMATE PARENT COMPANY**

The company's immediate parent undertaking is Paragon Print & Packaging Limited.

The ultimate parent undertaking and controlling party of the Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

The largest and smallest company to consolidate the results and financial position of the company is that headed by Coveris Holdings SA. These consolidated financial statements are available from [www.coveris.com](http://www.coveris.com).

**20. CONTINGENT LIABILITIES**

During the period Coveris Holdings SA refinanced its debts. As part of this refinancing, for certain elements of the debt, each subsidiary undertaking of Coveris Holdings SA was included as a guarantor of the debt. The total debt outstanding, as of 31 December 2013 to which the company was a guarantor was \$560,000,000 and €175,000,000. In the opinion of the directors no liability is expected to arise from this obligation.

**21. CAPITAL COMMITMENTS**

	2013 £'000	2012 £'000
Contracted but not provided for in the financial statements	<u>-</u>	<u>1,440</u>

**22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2013 £'000	2012 £'000
Profit for the financial year	1,526	3,888
Dividends	<u>(1,000)</u>	<u>(3,000)</u>
<b>Net addition to shareholders' funds</b>	<b>526</b>	<b>888</b>
Opening shareholders' funds	<u>10,821</u>	<u>9,933</u>
<b>Closing shareholders' funds</b>	<b><u>11,347</u></b>	<b><u>10,821</u></b>