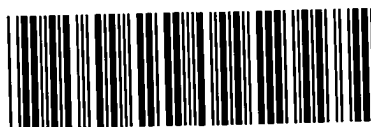


**Group Strategic Report, Report of the Directors and  
Audited Consolidated Financial Statements for the Year Ended 31 December 2014  
for  
Paragon Inks (Holdings) Limited**

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**Paragon Inks (Holdings) Limited**

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for the Year Ended 31 December 2014**

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**Paragon Inks (Holdings) Limited**

**Company Information  
for the Year Ended 31 December 2014**

<b>DIRECTORS:</b>	G Merten S M Bennett
<b>SECRETARY:</b>	H BJG Secretarial Ltd
<b>REGISTERED OFFICE:</b>	Starlaw Business Park Livingston West Lothian EH54 8SF
<b>REGISTERED NUMBER:</b>	SC177007 (Scotland)
<b>SENIOR STATUTORY AUDITOR:</b>	Ian J Oliva, C.A.
<b>AUDITORS:</b>	Glen Drummond Limited Argyll House Quarrywood Court Livingston West Lothian EH54 6AX
<b>SOLICITORS:</b>	HBJ Gateley Exchange Tower 19 Canning Street Edinburgh Midlothian EH3 8EH

## **Paragon Inks (Holdings) Limited**

### **Group Strategic Report for the Year Ended 31 December 2014**

The directors present their strategic report of the company and the group for the year ended 31 December 2014.

Paragon Inks is a privately owned, niche player with a reputation built on over 30 years as a UV Product and Application Specialist. Our sales turnover in 2014 was split 41.3% United Kingdom and 58.7% international. We carry out primary manufacturing of our own products, from carefully selected raw materials coupled with bespoke production techniques. This has allowed us to create a pioneering, world-class expertise in UV inks, coatings, for not only the supported label market, but the rapidly developing unsupported market areas of shrink sleeve, in-mould labelling, wrap-round and web printed flexible packaging, which now accounts for over 50% of our business. In 2014 Paragon successfully launched our new UV LED Curing range of inks & coatings supplying the first full UV LED Mark Andy printing machine in Europe.

Paragon Inks' dedicated site and facility is our committed investment to the web printing industry; offering unique manufacturing, technology and innovation as well as a dedicated training centre of excellence, benefiting all our one-world sites, customers, brand owners, distributors and co suppliers, situated on a private 5 acre site.

Our site boasts large laboratory and production facilities as well as a purpose built training academy on site, allowing our ever increasing team of 23 technical personnel dedicated to the web printing industry to continue our commitment to customer care and service. Total staff numbers were 42 - (2013 - 40) and we have been accredited Investors in People for 17 years along with ISO 9001, ISO 14001, ISO 8001 & the prestigious Queens award for International Trade.

Our business philosophy is grounded on the principles of partnership and integrity. We build long-term relationships with our customers because of our commitment to continuous improvement and service.

#### **REVIEW OF BUSINESS**

Paragon Inks are an award winning company in the field of Environmental Management and is accredited to the Sony Green Partner and Epson programs. Paragon Inks purpose-built state of the art facility embodies as much zero-carbon technology as possible. The ISO 14001 standard was achieved in 2014

Paragon continued to invest in one to one coaching, mentoring and development sessions with all management team through 3D Developments.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and return on capital employed.

2014 has been a challenging year for Paragon with increasing raw material prices and competition driving price down within our market sector.

Gross Margin has reduced from £2.384M (32.7%) to £2.205M (31.3%)

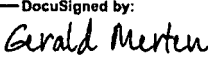
Return on capital employed was 14.4% (2013 - 19.3%). Return on capital employed is calculated as profit before interest and tax divided by capital employed, which constitutes total assets less current liabilities, less investments, less cash, plus overdrafts and other short term borrowings.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Our key business challenges over the last twelve months have been:

- Increasing competitive pressures - discounted prices
- Changes within Sales team & new strategies
- Time resources for international development whilst maintaining UK market share
- Time & money spent on business collaborations
- Diversification regarding product portfolio & innovation
- Continuous improvement of manufacturing to manage growth

#### **ON BEHALF OF THE BOARD:**

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G Merten - Director

31 August 2015

**Paragon Inks (Holdings) Limited****Report of the Directors  
for the Year Ended 31 December 2014**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2014.

**DIVIDENDS**

Interim dividends per share were paid as follows:

20000	- 6 January 2014
25000	- 8 April 2014
25000	- 1 July 2014
20000	- 1 October 2014
<hr/>	
90000	
<hr/>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2014 will be £90,000.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2014 to the date of this report.

G Merten  
S M Bennett

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 the group and of the profit or loss of the group 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;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

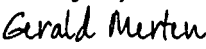
**Paragon Inks (Holdings) Limited**

**Report of the Directors  
for the Year Ended 31 December 2014**

**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 group'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 group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

DocuSigned by:  
  
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G Merten - Director

31 August 2015

## **Report of the Independent Auditors to the Members of Paragon Inks (Holdings) Limited**

We have audited the financial statements of Paragon Inks (Holdings) Limited for the year ended 31 December 2014 on pages six to twenty six. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

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

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

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 group's and the parent 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 Group Strategic Report and the Report of the Directors 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's 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.

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

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

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

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

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

DocuSigned by:

*Ian Oliva*

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Ian J Oliva, C.A. (Senior Statutory Auditor)  
for and on behalf of Glen Drummond Limited  
Argyll House  
Quarrywood Court  
Livingston  
West Lothian  
EH54 6AX

31 August 2015

**Paragon Inks (Holdings) Limited****Consolidated Profit and Loss Account  
for the Year Ended 31 December 2014**

	Notes	31.12.14 £	£	31.12.13 £	£
<b>TURNOVER</b>	2		7,039,286		7,289,957
Cost of sales			4,834,263		4,905,122
<b>GROSS PROFIT</b>			2,205,023		2,384,835
Distribution costs		55,105		5,038	
Administrative expenses		1,476,619		1,406,537	
			1,531,724		1,411,575
			673,299		973,260
Other operating income			68,938		81,040
<b>OPERATING PROFIT</b>	4		742,237		1,054,300
Interest receivable and similar income			7,152		4,768
			749,389		1,059,068
Interest payable and similar charges	5		24,487		29,026
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			724,902		1,030,042
Tax on profit on ordinary activities	6		188,570		215,793
<b>PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP</b>			536,332		814,249

**CONTINUING OPERATIONS**

None of the group's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements



**Paragon Inks (Holdings) Limited****Consolidated Statement of Total Recognised Gains and Losses  
for the Year Ended 31 December 2014**

	31.12.14 £	31.12.13 £
<b>PROFIT FOR THE FINANCIAL YEAR</b>	536,332	814,249
Unrealised deficit on revaluation of properties	(113,779)	-
	<hr/>	<hr/>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>422,553</u>	<u>814,249</u>

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited (Registered number: SC177007)****Consolidated Balance Sheet  
31 December 2014**

	Notes	31.12.14 £	31.12.13 £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,252,993	3,297,845
Investments	10	-	-
		<u>3,252,993</u>	<u>3,297,845</u>
<b>CURRENT ASSETS</b>			
Stocks	11	1,254,289	1,312,033
Debtors	12	1,934,474	2,085,861
Cash at bank and in hand		2,004,179	1,224,363
		<u>5,192,942</u>	<u>4,622,257</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	877,331	1,891,099
		<u>877,331</u>	<u>1,891,099</u>
<b>NET CURRENT ASSETS</b>		<u>4,315,611</u>	<u>2,731,158</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,568,604</u>	<u>6,029,003</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	(1,198,050)	(34,150)
<b>PROVISIONS FOR LIABILITIES</b>	18	(148,868)	(108,371)
		<u>(148,868)</u>	<u>(108,371)</u>
<b>NET ASSETS</b>		<u><u>6,221,686</u></u>	<u><u>5,886,482</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	25,000	25,000
Revaluation reserve	20	207,232	321,011
Share based payment reserve	20	7,956	5,305
Profit and loss account	20	5,981,498	5,535,166
		<u>6,221,686</u>	<u>5,886,482</u>
<b>SHAREHOLDERS' FUNDS</b>	24	<u><u>6,221,686</u></u>	<u><u>5,886,482</u></u>

The financial statements were approved by the Board of Directors on 31 August 2015 and were signed on its behalf by:

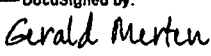
DocuSigned by:  
  
 1F08800036FA4AD...  
 G Merten - Director

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited (Registered number: SC177007)****Company Balance Sheet  
31 December 2014**

	Notes	31.12.14 £	31.12.13 £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,252,993	3,297,845
Investments	10	6	6
		<u>3,252,999</u>	<u>3,297,851</u>
<b>CURRENT ASSETS</b>			
Stocks	11	1,146,562	1,303,085
Debtors	12	2,222,345	2,099,238
Cash at bank and in hand		1,969,442	1,216,293
		<u>5,338,349</u>	<u>4,618,616</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	877,331	1,891,099
<b>NET CURRENT ASSETS</b>		<u>4,461,018</u>	<u>2,727,517</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,714,017</u>	<u>6,025,368</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	(1,198,050)	(34,150)
<b>PROVISIONS FOR LIABILITIES</b>	18	(148,868)	(108,371)
<b>NET ASSETS</b>		<u><u>6,367,099</u></u>	<u><u>5,882,847</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	25,000	25,000
Revaluation reserve	20	207,232	321,011
Share based payment reserve	20	7,956	5,305
Profit and loss account	20	6,126,911	5,531,531
<b>SHAREHOLDERS' FUNDS</b>	24	<u><u>6,367,099</u></u>	<u><u>5,882,847</u></u>

The financial statements were approved by the Board of Directors on 31 August 2015 and were signed on its behalf by:

DocuSigned by:  
  
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 G Merten - Director

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited****Consolidated Cash Flow Statement  
for the Year Ended 31 December 2014**

	Notes	31.12.14 £	£	31.12.13 £	£
<b>Net cash inflow from operating activities</b>	1		1,128,772		1,227,903
<b>Returns on investments and servicing of finance</b>	2		(17,335)		(24,258)
<b>Taxation</b>			(197,422)		(203,451)
<b>Capital expenditure</b>	2		(194,961)		(225,851)
<b>Equity dividends paid</b>			(90,000)		(110,000)
			629,054		664,343
<b>Financing</b>	2		150,762		(73,391)
<b>Increase in cash in the period</b>			779,816		590,952
<hr/>					
<b>Reconciliation of net cash flow to movement in net funds</b>	3				
Increase in cash in the period		779,816		590,952	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(153,142)		68,390	
Change in net funds resulting from cash flows			626,674		659,342
New finance leases			(101,177)		(45,761)
<b>Movement in net funds in the period</b>			525,497		613,581
<b>Net funds/(debt) at 1 January</b>			119,617		(493,964)
<b>Net funds at 31 December</b>			645,114		119,617

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Cash Flow Statement  
for the Year Ended 31 December 2014****1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31.12.14	31.12.13
	£	£
Operating profit	742,237	1,054,300
Depreciation charges	254,017	194,415
Profit on disposal of fixed assets	(26,937)	(6,250)
Share based payment adjustment	2,615	5,305
Government grants	(5,413)	(21,024)
Decrease/(increase) in stocks	57,744	(217,276)
Decrease in debtors	151,367	71,248
(Decrease)/increase in creditors	(46,858)	147,185
<b>Net cash inflow from operating activities</b>	<b>1,128,772</b>	<b>1,227,903</b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.12.14	31.12.13
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	7,152	4,768
Interest paid	(22,037)	(27,404)
Interest element of hire purchase payments	(2,450)	(1,622)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(17,335)</b>	<b>(24,258)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(265,581)	(232,101)
Sale of tangible fixed assets	70,620	6,250
<b>Net cash outflow for capital expenditure</b>	<b>(194,961)</b>	<b>(225,851)</b>
<b>Financing</b>		
New loans in year	265,881	-
Loan repayments in year	(60,245)	(68,391)
Capital repayments in year	(54,874)	-
Amount withdrawn by directors	-	(5,000)
<b>Net cash inflow/(outflow) from financing</b>	<b>150,762</b>	<b>(73,391)</b>

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Cash Flow Statement  
for the Year Ended 31 December 2014****3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.14 £	Cash flow £	Other non-cash changes £	At 31.12.14 £
Net cash:				
Cash at bank and in hand	1,224,363	779,816		2,004,179
	<u>1,224,363</u>	<u>779,816</u>		<u>2,004,179</u>
Debt:				
Hire purchase	(45,761)	54,874	(101,177)	(92,064)
Debts falling due within one year	(1,058,985)	957,001	-	(101,984)
Debts falling due after one year	-	(1,165,017)	-	(1,165,017)
	<u>(1,104,746)</u>	<u>(153,142)</u>	<u>(101,177)</u>	<u>(1,359,065)</u>
Total	<u>119,617</u>	<u>626,674</u>	<u>(101,177)</u>	<u>645,114</u>

The notes form part of these financial statements

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements  
for the Year Ended 31 December 2014****1. ACCOUNTING POLICIES****Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and a subsidiary controlled by the Company drawn up to 31 December 2014. Control exists when the Group has direct or indirect power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control transfers to the Group until the date that control ceases. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the Company.

**Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Plant and machinery	- 33% on cost and 20% on cost
Motor vehicles	- 25% on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**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.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****1. ACCOUNTING POLICIES - continued****Government grants**

Revenue grants received are released to the Profit and Loss account in the period when the relevant expenditure is incurred.

Capital grants are amortised over the useful life of the assets to which they relate and recognised in the profit and loss account in line with the depreciation charges.

**Share based payments**

The company has issued share options to a director and employee. These must be measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair value of the options was estimated at the date of grant using the Black-Scholes option-pricing model as detailed in note 25.

**2. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	31.12.14	31.12.13
	£	£
United Kingdom	2,999,236	3,134,682
Europe	2,141,175	2,755,603
Africa	1,056,804	-
Other International	842,071	1,399,672
	<u>7,039,286</u>	<u>7,289,957</u>

**3. STAFF COSTS**

	31.12.14	31.12.13
	£	£
Wages and salaries	1,083,247	1,000,579
Social security costs	114,596	93,937
Other pension costs	80,455	224,783
	<u>1,278,298</u>	<u>1,319,299</u>

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

	31.12.14	31.12.13
Administration	7	6
Production	19	19
Laboratory	12	11
Sales	4	4
	<u>42</u>	<u>40</u>



**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****4. OPERATING PROFIT**

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

	31.12.14	31.12.13
	£	£
Depreciation - owned assets	229,119	189,604
Depreciation - assets on hire purchase contracts	25,029	4,811
Profit on disposal of fixed assets	(26,937)	(6,250)
Auditors' remuneration	9,000	8,000
Foreign exchange differences	74,904	50,084
	<u>          </u>	<u>          </u>
Directors' remuneration	185,826	212,504
Directors' pension contributions to money purchase schemes	45,311	191,669
	<u>          </u>	<u>          </u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.14	31.12.13
	£	£
Bank interest	-	21
Bank loan interest	22,037	27,383
Hire purchase charges	2,450	1,622
	<u>          </u>	<u>          </u>
	24,487	29,026
	<u>          </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:

	31.12.14	31.12.13
	£	£
Current tax:		
UK corporation tax	148,073	194,903
South Africa tax	-	1,422
	<u>          </u>	<u>          </u>
Total current tax	148,073	196,325
Deferred tax:		
Accelerated capital allowances	40,497	19,468
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	188,570	215,793
	<u>          </u>	<u>          </u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****6. TAXATION - continued****Factors affecting the tax charge**

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

	31.12.14	31.12.13
	£	£
Profit on ordinary activities before tax	<u>724,902</u>	<u>1,030,042</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013 - 23%)	152,229	236,910
Effects of:		
Expenses not deductible for tax purposes	1,709	2,533
Income not taxable for tax purposes	(5,657)	(6,273)
Capital allowances in excess of depreciation	(29,453)	(27,181)
Marginal relief	(2,976)	(5,189)
R&D enhanced deduction	(2,545)	(6,856)
Rate adjustment	3,465	2,122
South Africa profit	31,301	(1,163)
South Africa Tax	-	1,422
Current tax charge	<u>148,073</u>	<u>196,325</u>

**7. PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £685,380 (2013 - £810,614).

**8. DIVIDENDS**

	31.12.14	31.12.13
	£	£
Ordinary shares of £1 each		
Interim	<u>90,000</u>	<u>110,000</u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****9. TANGIBLE FIXED ASSETS****Group**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>					
At 1 January 2014	3,080,041	1,398,995	40,160	158,687	4,677,883
Additions	29,993	218,281	4,678	113,806	366,758
Disposals	-	(13,894)	-	(115,935)	(129,829)
Revaluations	(113,779)	-	-	-	(113,779)
At 31 December 2014	<u>2,996,255</u>	<u>1,603,382</u>	<u>44,838</u>	<u>156,558</u>	<u>4,801,033</u>
<b>DEPRECIATION</b>					
At 1 January 2014	152,528	1,111,066	18,583	97,861	1,380,038
Charge for year	48,680	157,793	8,235	39,440	254,148
Eliminated on disposal	-	(12,989)	-	(73,157)	(86,146)
At 31 December 2014	<u>201,208</u>	<u>1,255,870</u>	<u>26,818</u>	<u>64,144</u>	<u>1,548,040</u>
<b>NET BOOK VALUE</b>					
At 31 December 2014	<u>2,795,047</u>	<u>347,512</u>	<u>18,020</u>	<u>92,414</u>	<u>3,252,993</u>
At 31 December 2013	<u>2,927,513</u>	<u>287,929</u>	<u>21,577</u>	<u>60,826</u>	<u>3,297,845</u>

Included in cost or valuation of land and buildings is freehold land of £130,000 (2013 - £130,000) which is not depreciated.

Property at cost represents the final contract valuation on the new factory at Starlaw Park which was completed on 17 June 2013.

The property at Brocks Way was sold on 26 February 2015. This property has been revalued to reflect the actual disposal proceeds of £411,221.

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2014	-	19,245	19,245
Additions	33,576	66,785	100,361
At 31 December 2014	<u>33,576</u>	<u>86,030</u>	<u>119,606</u>
<b>DEPRECIATION</b>			
At 1 January 2014	-	4,811	4,811
Charge for year	5,059	19,970	25,029
Eliminated on disposal	-	(9,985)	(9,985)
At 31 December 2014	<u>5,059</u>	<u>14,796</u>	<u>19,855</u>
<b>NET BOOK VALUE</b>			
At 31 December 2014	<u>28,517</u>	<u>71,234</u>	<u>99,751</u>
At 31 December 2013	<u>-</u>	<u>14,434</u>	<u>14,434</u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****9. TANGIBLE FIXED ASSETS - continued****Company**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>					
At 1 January 2014	3,080,041	1,398,995	40,160	158,687	4,677,883
Additions	29,993	218,281	4,678	113,806	366,758
Disposals	-	(13,894)	-	(115,935)	(129,829)
Revaluations	(113,779)	-	-	-	(113,779)
At 31 December 2014	<u>2,996,255</u>	<u>1,603,382</u>	<u>44,838</u>	<u>156,558</u>	<u>4,801,033</u>
<b>DEPRECIATION</b>					
At 1 January 2014	152,528	1,111,066	18,583	97,861	1,380,038
Charge for year	48,680	157,793	8,235	39,440	254,148
Eliminated on disposal	-	(12,989)	-	(73,157)	(86,146)
At 31 December 2014	<u>201,208</u>	<u>1,255,870</u>	<u>26,818</u>	<u>64,144</u>	<u>1,548,040</u>
<b>NET BOOK VALUE</b>					
At 31 December 2014	<u>2,795,047</u>	<u>347,512</u>	<u>18,020</u>	<u>92,414</u>	<u>3,252,993</u>
At 31 December 2013	<u>2,927,513</u>	<u>287,929</u>	<u>21,577</u>	<u>60,826</u>	<u>3,297,845</u>

Included in cost or valuation of land and buildings is freehold land of £130,000 (2013 - £130,000) which is not depreciated.

Cost or valuation at 31 December 2014 is represented by:

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2010	525,000	-	-	-	525,000
Valuation in 2014	(113,779)	-	-	-	(113,779)
Cost	<u>2,585,034</u>	<u>1,603,382</u>	<u>44,838</u>	<u>156,558</u>	<u>4,389,812</u>
	<u>2,996,255</u>	<u>1,603,382</u>	<u>44,838</u>	<u>156,558</u>	<u>4,801,033</u>

Property at cost represents the final contract valuation on the new factory at Starlaw Park which was completed on 17 June 2013.

The property at Brocks Way was sold on 26 February 2015. This property has been revalued to reflect the actual disposal proceeds of £411,221.

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****9. TANGIBLE FIXED ASSETS - continued****Company**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2014	-	19,245	19,245
Additions	33,576	66,785	100,361
At 31 December 2014	33,576	86,030	119,606
<b>DEPRECIATION</b>			
At 1 January 2014	-	4,811	4,811
Charge for year	5,059	19,970	25,029
Eliminated on disposal	-	(9,985)	(9,985)
At 31 December 2014	5,059	14,796	19,855
<b>NET BOOK VALUE</b>			
At 31 December 2014	28,517	71,234	99,751
At 31 December 2013	-	14,434	14,434

**10. FIXED ASSET INVESTMENTS****Company**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2014 and 31 December 2014	6
<b>NET BOOK VALUE</b>	
At 31 December 2014	6
At 31 December 2013	6

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****10. FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiary****Paragon Inks South Africa PTY Ltd**

Country of incorporation: South Africa

Nature of business: Distributor of Ink Products

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.12.14	31.12.13
		£	£
Aggregate capital and reserves		(145,407)	3,664
(Loss)/profit for the year		(149,071)	3,658
		<u>          </u>	<u>          </u>

**11. STOCKS**

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Stocks	107,727	8,948	-	-
Raw materials	343,772	530,674	343,772	530,674
Finished goods	722,790	692,411	722,790	692,411
Packaging	80,000	80,000	80,000	80,000
	<u>1,254,289</u>	<u>1,312,033</u>	<u>1,146,562</u>	<u>1,303,085</u>

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Trade debtors	1,813,750	1,913,161	1,717,775	1,865,171
Amounts owed by group undertakings	-	-	379,113	61,696
Other debtors	34,036	21,828	34,036	21,828
Directors' loan accounts	20,600	20,600	20,600	20,600
Tax	9,665	8,396	5,150	5,150
VAT	23,823	77,161	33,071	80,078
Prepayments	32,600	44,715	32,600	44,715
	<u>1,934,474</u>	<u>2,085,861</u>	<u>2,222,345</u>	<u>2,099,238</u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Bank loans and overdrafts (see note 15)	101,984	1,058,985	101,984	1,058,985
Hire purchase contracts (see note 16)	59,031	21,966	59,031	21,966
Trade creditors	469,911	436,679	469,911	436,679
Tax	148,073	196,153	148,073	196,153
Social security and other taxes	29,737	24,829	29,737	24,829
Other creditors	17,871	20,806	17,871	20,806
Accrued expenses	40,369	110,656	40,369	110,656
Deferred government grants	10,355	21,025	10,355	21,025
	<u>877,331</u>	<u>1,891,099</u>	<u>877,331</u>	<u>1,891,099</u>

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

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Bank loans (see note 15)	1,165,017	-	1,165,017	-
Hire purchase contracts (see note 16)	33,033	23,795	33,033	23,795
Deferred government grants	-	10,355	-	10,355
	<u>1,198,050</u>	<u>34,150</u>	<u>1,198,050</u>	<u>34,150</u>

**15. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank term loans	<u>101,984</u>	<u>1,058,985</u>	<u>101,984</u>	<u>1,058,985</u>
Amounts falling due between one and two years:				
Bank term loans	<u>101,984</u>	<u>-</u>	<u>101,984</u>	<u>-</u>
Amounts falling due between two and five years:				
Bank term loans	<u>1,063,033</u>	<u>-</u>	<u>1,063,033</u>	<u>-</u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS****Group**

	Hire purchase contracts	
	31.12.14	31.12.13
	£	£
Gross obligations repayable:		
Within one year	62,551	23,311
Between one and five years	37,568	25,252
	<u>100,119</u>	<u>48,563</u>
Finance charges repayable:		
Within one year	3,520	1,345
Between one and five years	4,535	1,457
	<u>8,055</u>	<u>2,802</u>
Net obligations repayable:		
Within one year	59,031	21,966
Between one and five years	33,033	23,795
	<u>92,064</u>	<u>45,761</u>

**Company**

	Hire purchase contracts	
	31.12.14	31.12.13
	£	£
Gross obligations repayable:		
Within one year	62,551	23,311
Between one and five years	37,568	25,252
	<u>100,119</u>	<u>48,563</u>
Finance charges repayable:		
Within one year	3,520	1,345
Between one and five years	4,535	1,457
	<u>8,055</u>	<u>2,802</u>
Net obligations repayable:		
Within one year	59,031	21,966
Between one and five years	33,033	23,795
	<u>92,064</u>	<u>45,761</u>



**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****17. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Bank loans	1,267,001	1,058,985	1,267,001	1,058,985
Hire purchase contracts	92,064	45,761	92,064	45,761
	<u>1,359,065</u>	<u>1,104,746</u>	<u>1,359,065</u>	<u>1,104,746</u>

The bank term loan is secured by a bond and floating charge over all the assets of the company and a standard security over Starlaw Business Park.

**18. PROVISIONS FOR LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	31.12.14	31.12.13	31.12.14	31.12.13
	£	£	£	£
Deferred tax				
Accelerated capital allowances	<u>148,868</u>	<u>108,371</u>	<u>148,868</u>	<u>108,371</u>

**Group**

	Deferred tax
	£
Balance at 1 January 2014	108,371
Provided during year	40,497
Balance at 31 December 2014	<u>148,868</u>

**Company**

	Deferred tax
	£
Balance at 1 January 2014	108,371
Provided during year	40,497
Balance at 31 December 2014	<u>148,868</u>

**19. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.14	31.12.13
			£	£
25,000	Ordinary	£1	<u>25,000</u>	<u>25,000</u>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****20. RESERVES****Group**

	Profit and loss account £	Revaluation reserve £	Share based payment reserve £	Totals £
At 1 January 2014	5,535,166	321,011	5,305	5,861,482
Profit for the year	536,332			536,332
Dividends	(90,000)			(90,000)
Property revaluation	-	(113,779)	-	(113,779)
Share based payment adjustment	-	-	2,651	2,651
At 31 December 2014	<u>5,981,498</u>	<u>207,232</u>	<u>7,956</u>	<u>6,196,686</u>

**Company**

	Profit and loss account £	Revaluation reserve £	Share based payment reserve £	Totals £
At 1 January 2014	5,531,531	321,011	5,305	5,857,847
Profit for the year	685,380			685,380
Dividends	(90,000)			(90,000)
Property revaluation	-	(113,779)	-	(113,779)
Share based payment adjustment	-	-	2,651	2,651
At 31 December 2014	<u>6,126,911</u>	<u>207,232</u>	<u>7,956</u>	<u>6,342,099</u>

**21. ULTIMATE PARENT COMPANY**

Paragon Inks (Holdings) Limited is regarded by the directors as being the company's ultimate parent company.

**22. RELATED PARTY DISCLOSURES****S M Bennett**

	31.12.14 £	31.12.13 £
Amount due from related party at the balance sheet date	<u>20,600</u>	<u>20,600</u>

**23. ULTIMATE CONTROLLING PARTY**

The controlling party is G Merten.

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****Group**

	31.12.14	31.12.13
	£	£
Profit for the financial year	536,332	814,249
Dividends	(90,000)	(110,000)
	<u>446,332</u>	<u>704,249</u>
Other recognised gains and losses relating to the year (net)	(113,779)	-
Share based payment adjustment	2,651	5,305
	<u>335,204</u>	<u>709,554</u>
<b>Net addition to shareholders' funds</b>	<b>5,886,482</b>	<b>5,176,928</b>
Opening shareholders' funds	<u>6,221,686</u>	<u>5,886,482</u>
<b>Closing shareholders' funds</b>	<b><u>6,221,686</u></b>	<b><u>5,886,482</u></b>

**Company**

	31.12.14	31.12.13
	£	£
Profit for the financial year	685,380	810,614
Dividends	(90,000)	(110,000)
	<u>595,380</u>	<u>700,614</u>
Other recognised gains and losses relating to the year (net)	(113,779)	-
Share based payment adjustment	2,651	5,305
	<u>484,252</u>	<u>705,919</u>
<b>Net addition to shareholders' funds</b>	<b>5,882,847</b>	<b>5,176,928</b>
Opening shareholders' funds	<u>6,367,099</u>	<u>5,882,847</u>
<b>Closing shareholders' funds</b>	<b><u>6,367,099</u></b>	<b><u>5,882,847</u></b>

**Paragon Inks (Holdings) Limited****Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2014****25. SHARE-BASED PAYMENT TRANSACTIONS**

A share based payment arrangement has been set up under the Enterprise Management Incentive with the following terms and conditions.

**Grant date-** 6 December 2011

**Number of shares** - 4,411

**Class of share** - Fully paid up non redeemable Ordinary Shares of £1

**Number of employees** - 2

**Exercise Price per share** - £30.09

**Contractual life** - 10 years

**Vesting conditions** - continued employment at the company

The estimated fair value of each share option at Date of grant is £6.01.

The estimated fair value was calculated by applying a Black-Scholes option pricing model.

**The model inputs were :**

Share price at grant date of £54.07

Exercise price of £30.09

Expected volatility of 30%

Expected dividend yield of 11%

Expected life of options 10 years: and

A risk-free interest rate of 2.23%

**Details of the share options outstanding during the year are as follows :**

	<b>Number of options 2014</b>	<b>Number of options 2013</b>
At 1 January 2014	4,411	4,411
Outstanding at 31 December 2014	4,411	4,411
Exercisable at 31 December 2014	-	-

All of the above options are exercisable anytime between 6 October 2021 and 6 December 2021 and have an exercise price of £30.09. At 31 December 2014 the options have a weighted average remaining contractual life of 7 years. As at 31 December 2014 there was 1 (2013 - 1) directors holding share options and 1 (2013 - 1) employee. The 1 director holding options at 31 December 2014 was S M Bennett with 2,941 options (2013 - 2,941 options).

**Paragon Inks (Holdings) Limited****Consolidated Trading and Profit and Loss Account  
for the Year Ended 31 December 2014**

	31.12.14		31.12.13	
	£	£	£	£
<b>Turnover</b>				
Sales	7,023,386		7,274,566	
Consultancy	15,900		15,391	
		7,039,286		7,289,957
<b>Cost of sales</b>				
Opening stock	1,311,739		1,094,758	
Purchases	3,788,940		4,208,074	
Packaging materials	226,014		187,305	
Wages	628,739		579,148	
Social security	54,327		49,190	
Pensions	21,532		21,475	
Plant upkeep	39,079		32,081	
Safety gear and clothing	6,427		4,482	
Waste disposal	11,756		9,379	
	6,088,553		6,185,892	
Closing stock	(1,254,290)		(1,280,770)	
		4,834,263		4,905,122
<b>GROSS PROFIT</b>		2,205,023		2,384,835
<b>Other income</b>				
Rents received	42,500		42,500	
Government grants	26,438		38,540	
Deposit account interest	7,152		4,768	
		76,090		85,808
		2,281,113		2,470,643
<b>Expenditure</b>				
Carriage	55,105		5,038	
Rent	3,348		4,323	
Rates and water	66,638		60,543	
Insurance	25,016		21,858	
Light and heat	38,329		37,083	
Directors' salaries	169,500		197,500	
Directors' social security	25,536		14,796	
Directors' pension contributions	45,311		191,669	
Wages	285,008		223,931	
Social security	34,733		29,951	
Pension contributions	13,612		11,639	
Telephone	14,273		14,809	
Post and stationery	24,388		19,992	
Advertising	33,639		23,604	
Travelling	58,265		59,676	
Motor expenses	62,144		65,384	
Subsistence	76,980		53,573	
Canteen	2,861		3,254	
Repairs and renewals	34,794		76,951	
Cleaning and gardening	12,429		11,516	
Equipment rental	3,115		7,186	
Sundry expenses	9,890		13,530	
Carried forward	1,094,914	2,281,113	1,147,806	2,470,643

This page does not form part of the statutory financial statements

**Paragon Inks (Holdings) Limited****Consolidated Trading and Profit and Loss Account  
for the Year Ended 31 December 2014**

	31.12.14		31.12.13	
	£	£	£	£
Brought forward	1,094,914	2,281,113	1,147,806	2,470,643
Accountancy	12,041		8,078	
Training costs	15,262		11,601	
Computer services	50,957		35,314	
Legal fees	-		1,475	
Other professional fees	27,386		(3,557)	
Subscriptions	650		7,460	
Auditors' remuneration	9,000		8,000	
Donations	719		2,432	
Foreign exchange losses	74,904		50,084	
Entertainment	5,027		5,706	
Bad debts	-		(71,480)	
Promotions and exhibitions	2,927		7,754	
Share based payment adjustment	2,651		5,305	
		1,296,438		1,215,978
		984,675		1,254,665
<b>Finance costs</b>				
Bank charges	7,727		7,047	
Credit card	479		385	
Bank interest	-		21	
Bank loan interest	22,037		27,383	
Hire purchase charges	2,450		1,622	
		32,693		36,458
		951,982		1,218,207
<b>Depreciation</b>				
Freehold property	48,680		16,109	
Plant and machinery	157,793		141,112	
Fixtures and fittings	8,234		6,580	
Motor vehicles	39,310		30,614	
		254,017		194,415
		697,965		1,023,792
<b>Profit on disposal of fixed assets</b>				
Motor vehicles		26,937		6,250
<b>NET PROFIT</b>		724,902		1,030,042

This page does not form part of the statutory financial statements