

Company Registration No. SC177007 (Scotland)

PARAGON INKS (HOLDINGS) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023

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PARAGON INKS (HOLDINGS) LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | F Floriano S Bennett |
| Secretary | Burness Paull LLP |
| Company number | SC177007 |
| Registered office | 50 Lothian Road Festival Square Edinburgh EH3 9WJ |
| Auditor | RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG |

PARAGON INKS (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present the strategic report for the year ended 30 June 2023.

Fair review of the business

Paragon Inks (Holdings) Limited is a wholly owned subsidiary of Aldus Holdings (UK) Limited ("the group").

The principal activity of the company during the twelve months to June 2023 was the manufacture, distribution and sale of UV Inks and Coatings for use in the printing industry. The company has an established reputation as a UV product and application specialist, providing bespoke solutions to the national and international product decoration market, with distribution and sales to the UK, Europe and Rest Of World-based customers.

The company has increased revenue during the twelve months to June 2023 but has seen profit decline due to increased costs in both raw materials and overheads.

Principal risks and uncertainties

Liquidity risk

Liquidity risk arises from the group's management of working capital and occurs when the group has difficulty in meeting its financial obligations as they fall due.

At the end of the financial period, cash flow projections indicate that the company expects to have sufficient liquid resources to meet their financial obligations under all reasonably expected circumstances.

Credit risk

Credit risk is where a customer fails to meet its contractual obligations of payment to the group. Customers are assessed for financial reliability using external rating agencies and trade references from existing suppliers. Credit exposure to a single customer failure is low due to having long term relations and understanding of their financial security. Credit control procedures are in place to reduce any overdue debt and risk.

Foreign Exchange risk

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than its functional currency. The company is predominantly exposed to currency risk on sales made in Euros and US Dollars. All currency is converted back to GBP at time of receipt, leaving minimum amounts to cover purchases to reduce internal risk. The company operates in the international market, and international customers go through the same credit checks to ensure financial reliability.

Future developments

The business will continue to grow by gaining new and retaining existing business as demand for product increases. The budget set for FY23/24 expects increased revenue and net profit compared to FY22/23.

PARAGON INKS (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Key performance indicators

Management considers revenue, operating profit, and profit before tax to be among the key financial performance indicators. As the results for the prior period cover the extended period of 18 months to June 2022, the below figures are not directly comparable.

| | Year ended 30 June 2023 | Period ended 30 June 2022 |
|-------------------|----------------------------|------------------------------|
| | £'000 | £'000 |
| Revenue | 12,602 | 16,932 |
| Operating Profit | 244 | 1,992 |
| Profit Before Tax | 431 | 2,031 |

On behalf of the board

Shaun Bennett

.....
S Bennett
Director

Date: 19/10/2023
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PARAGON INKS (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present their annual report and financial statements for the year ended 30 June 2023.

Principal activities

The principal activity of the company continued to be that of the manufacture and sale of ink based products.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2022: £90,000). The directors do not recommend payment of a final dividend.

Directors

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

F Floriano
S Bennett

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.

Post reporting date events

There have been no post reporting date events.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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 auditor is 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 auditor is aware of that information.

On behalf of the board

shawn bennett

.....
S Bennett
Director

Date: 19/10/2023

PARAGON INKS (HOLDINGS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON INKS (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Paragon Inks (Holdings) Limited (the 'company') for the year ended 30 June 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON INKS (HOLDINGS) LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- 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; 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON INKS (HOLDINGS) LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from tax advisors

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and inspected any reports of the business being non-compliant from the Health and Safety Executive website.

The audit engagement team identified the risk of management override of controls and risk in relation to revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. For revenue recognition we have reviewed a sample of revenue items pre and post period end to ensure that cut-off has been correctly applied and sampled items in the period to ensure all are legitimate sales transactions, along with understanding the control environment when revenue is recognised.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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 an auditor's report 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.

K Morrison

Katie Morrison BAcc CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 24/10/23

PARAGON INKS (HOLDINGS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

| | | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|--|----------|---|---|
| | Notes | | |
| Turnover | 3 | 12,602 | 16,932 |
| Cost of sales | | (9,566) | (11,499) |
| Gross profit | | 3,036 | 5,433 |
| Administrative expenses | | (2,803) | (3,441) |
| Other operating income | | 10 | - |
| Operating profit | 6 | 243 | 1,992 |
| Interest receivable and similar income | 7 | 187 | 39 |
| Profit before taxation | | 430 | 2,031 |
| Tax on profit | 8 | 140 | (63) |
| Profit for the financial year | | 570 | 1,968 |

PARAGON INKS (HOLDINGS) LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2023**

| | Notes | 2023 £'000 | £'000 | 2022 £'000 | £'000 |
|---|-------|----------------|----------------------|----------------|----------------------|
| Fixed assets | | | | | |
| Intangible assets | 10 | | 160 | | - |
| Tangible assets | 11 | | 3,234 | | 3,040 |
| Investments | 12 | | - | | - |
| | | | <u>3,394</u> | | <u>3,040</u> |
| Current assets | | | | | |
| Stocks | 13 | 3,879 | | 4,416 | |
| Debtors | 14 | 7,101 | | 6,167 | |
| Cash at bank and in hand | | 552 | | 724 | |
| | | <u>11,532</u> | | <u>11,307</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(2,162)</u> | | <u>(2,014)</u> | |
| Net current assets | | | <u>9,370</u> | | <u>9,293</u> |
| Total assets less current liabilities | | | <u>12,764</u> | | <u>12,333</u> |
| Provisions for liabilities | 16 | | <u>(118)</u> | | <u>(257)</u> |
| Net assets | | | <u><u>12,646</u></u> | | <u><u>12,076</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 29 | | 29 |
| Share premium account | 20 | | 128 | | 128 |
| Profit and loss reserves | 20 | | 12,489 | | 11,919 |
| Total equity | | | <u><u>12,646</u></u> | | <u><u>12,076</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 19/10/2023 and are signed on its behalf by:

Shaun Bennett

S Bennett
Director

PARAGON INKS (HOLDINGS) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | Share capital £'000 | Share premium account £'000 | Profit and loss reserves £'000 | Total £'000 |
|--|-------|------------------------|--------------------------------|-----------------------------------|----------------|
| Balance at 1 January 2021 | | 25 | - | 10,041 | 10,066 |
| Period ended 30 June 2022: | | | | | |
| Profit and total comprehensive income for the period | | - | - | 1,968 | 1,968 |
| Issue of share capital | 19 | 4 | 128 | - | 132 |
| Dividends | 9 | - | - | (90) | (90) |
| Balance at 30 June 2022 | | 29 | 128 | 11,919 | 12,076 |
| Year ended 30 June 2023: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 570 | 570 |
| Balance at 30 June 2023 | | 29 | 128 | 12,489 | 12,646 |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

Company information

Paragon Inks (Holdings) Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ. {If #sce1=0 Then

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 £'000.

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 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Paragon Inks (Holdings) Limited is a wholly owned subsidiary of Aldus Holdings (UK) Limited and the results of Paragon Inks (Holdings) Limited are included in the consolidated financial statements of Aldus Holdings (UK) Limited which are available from Companies House.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have reviewed the performance of the company, and budgets and forecasts have been prepared for a period of at least 12 months from the date of approval of the financial statements. Consequently the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due and have prepared the financial statements on a going concern basis.

Turnover

Turnover is derived from the sale of ink based products manufactured by the company.

Turnover is measured at the fair value of ink based products supplied, net of discounts and excluding value added tax, and is recognised at the point that the company obtains the right to consideration.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

| | |
|----------|-------------------|
| Software | 33% straight line |
|----------|-------------------|

Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. Land is not depreciated, the remaining assets are depreciated on the following bases:

| | |
|-----------------------|---------------------------|
| Land and buildings | 2% straight line |
| Plant and machinery | 6.66% - 33% straight line |
| Fixtures and fittings | 6.66% - 20% straight line |
| Computers | 33% straight line |
| Motor vehicles | 25% 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.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its fixed tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

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.

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

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies (Continued)

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 debtors, other debtors, amounts due from group undertakings, 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.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies (Continued)

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 creditors, other creditors, and amounts due to group undertakings, 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 transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies (Continued)

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.

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.

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.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

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.

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

Stock

The carrying value of stock includes the absorption of manufacturing costs including labour and overheads incurred in the production of stock. This absorption is based on the volume of production of stock in a year relative to the level of manufacturing costs incurred in stock production. The absorption rate is re-assessed annually to ensure that the correct amount of manufacturing costs are reflected in the carrying value of stock at any given year end.

3 Turnover

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Turnover analysed by class of business | | |
| Sale of goods | 12,602 | 16,932 |
| | <u>12,602</u> | <u>16,932</u> |
| | | |
| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
| Turnover analysed by geographical market | | |
| UK | 4,291 | 6,655 |
| Europe | 4,855 | 6,548 |
| Rest of World | 3,456 | 3,729 |
| | <u>12,602</u> | <u>16,932</u> |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

4 Employees

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

| | Year ended 30 June 2023 Number | Period ended 30 June 2022 Number |
|----------------|--------------------------------------|--|
| Production | 36 | 26 |
| Sales | 6 | 10 |
| Administration | 8 | 13 |
| Total | <u>50</u> | <u>49</u> |

Their aggregate remuneration comprised:

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|-----------------------|-------------------------------------|---------------------------------------|
| Wages and salaries | 1,636 | 2,547 |
| Social security costs | 187 | 261 |
| Pension costs | 253 | 237 |
| | <u>2,076</u> | <u>3,045</u> |

5 Directors' remuneration

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Remuneration for qualifying services | 72 | 148 |
| Company pension contributions to defined contribution schemes | 70 | 17 |
| | <u>142</u> | <u>165</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

For the current and prior period, all costs of employment for one of the company's directors were borne by the ultimate parent company.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

6 Operating profit

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange (gains)/losses | (4) | 38 |
| Government grants | (10) | - |
| Fees payable to the company's auditor for the audit of the company's financial statements | 24 | 22 |
| Depreciation of owned tangible fixed assets | 302 | 453 |
| Amortisation of intangible assets | 42 | - |
| | <u> </u> | <u> </u> |

7 Interest receivable and similar income

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|--|-------------------------------------|---------------------------------------|
| Interest income | | |
| Interest on bank deposits | 1 | - |
| Interest receivable from group companies | 186 | 39 |
| | <u> </u> | <u> </u> |
| Total income | 187 | 39 |
| | <u> </u> | <u> </u> |

8 Taxation

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|--|-------------------------------------|---------------------------------------|
| Deferred tax | | |
| Origination and reversal of timing differences | 156 | 2 |
| Changes in tax rates | - | 61 |
| Adjustment in respect of prior periods | (296) | - |
| | <u> </u> | <u> </u> |
| Total deferred tax | (140) | 63 |
| | <u> </u> | <u> </u> |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

8 Taxation (Continued)

The total tax (credit)/charge 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:

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|--|-------------------------------------|---------------------------------------|
| Profit before taxation | 430 | 2,031 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.50% (2022: 19.00%) | 88 | 386 |
| Tax effect of expenses that are not deductible in determining taxable profit | 2 | 3 |
| Adjustments in respect of prior years | (296) | - |
| Effect of change in corporation tax rate | 28 | 60 |
| Group relief | 56 | - |
| Permanent capital allowances in excess of depreciation | (16) | (6) |
| Other permanent differences | (2) | (380) |
| Taxation (credit)/charge for the year | (140) | 63 |

9 Dividends

| | Year ended 30 June 2023 £'000 | Period ended 30 June 2022 £'000 |
|------------|-------------------------------------|---------------------------------------|
| Final paid | - | 90 |

10 Intangible fixed assets

| | Software £'000 |
|--------------------------------------|-------------------|
| Cost | |
| Additions | 146 |
| Transfers from tangible fixed assets | 56 |
| At 30 June 2023 | 202 |
| Amortisation and impairment | |
| Amortisation charged for the year | 42 |
| At 30 June 2023 | 42 |
| Carrying amount | |
| At 30 June 2023 | 160 |
| At 30 June 2022 | - |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

11 Tangible fixed assets

| | Land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Computers £'000 | Motor vehicles £'000 | Total £'000 |
|---|--------------------------------|---------------------------------|-----------------------------------|--------------------|----------------------------|----------------|
| Cost | | | | | | |
| At 1 July 2022 | 2,832 | 2,134 | 197 | 589 | 247 | 5,999 |
| Additions | - | 489 | 14 | 49 | - | 552 |
| Transfers to intangible fixed assets | - | - | - | (56) | - | (56) |
| At 30 June 2023 | 2,832 | 2,623 | 211 | 582 | 247 | 6,495 |
| Depreciation and impairment | | | | | | |
| At 1 July 2022 | 601 | 1,525 | 150 | 501 | 182 | 2,959 |
| Depreciation charged in the year | 57 | 160 | 17 | 33 | 35 | 302 |
| At 30 June 2023 | 658 | 1,685 | 167 | 534 | 217 | 3,261 |
| Carrying amount | | | | | | |
| At 30 June 2023 | 2,174 | 938 | 44 | 48 | 30 | 3,234 |
| At 30 June 2022 | 2,231 | 609 | 47 | 88 | 65 | 3,040 |

12 Fixed asset investments

| | 2023 £'000 | 2022 £'000 |
|-----------------------------|---------------|---------------|
| Investments in subsidiaries | - | - |

The company holds 100% of the £6 issued share capital of Paragon Inks South Africa. The principal activity of the subsidiary entity is the distribution of inks and coatings. The registered address is 6A Johnson Street, Alrode, Alberton, Gauteng, 1451 South Africa.

13 Stocks

| | 2023 £'000 | 2022 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 2,158 | 2,789 |
| Work in progress | 4 | 55 |
| Finished goods and goods for resale | 1,717 | 1,572 |
| | 3,879 | 4,416 |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

14 Debtors

| | 2023 | 2022 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade debtors | 2,103 | 2,212 |
| Amounts owed by group undertakings | 4,588 | 3,406 |
| Other debtors | 299 | 496 |
| Prepayments and accrued income | 111 | 53 |
| | <u>7,101</u> | <u>6,167</u> |

The amounts owed by fellow group undertakings are charged interest at a rate of SONIA plus 2% and are repayable on demand.

15 Creditors: amounts falling due within one year

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 2,010 | 1,736 |
| Amounts owed to group undertakings | 12 | 10 |
| Taxation and social security | 54 | 47 |
| Other creditors | 70 | 1 |
| Accruals and deferred income | 16 | 220 |
| | <u>2,162</u> | <u>2,014</u> |

The amounts owed to fellow group undertakings are repayable on demand.

16 Provisions for liabilities

| | Notes | 2023 | 2022 |
|--------------------------|-------|------------|------------|
| | | £'000 | £'000 |
| Deferred tax liabilities | 17 | <u>118</u> | <u>257</u> |

17 Deferred taxation

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

| | Liabilities | Liabilities |
|--------------------------------|-------------|-------------|
| | 2023 | 2022 |
| Balances: | £'000 | £'000 |
| Accelerated capital allowances | 158 | 336 |
| Tax losses | (40) | (79) |
| | <u>118</u> | <u>257</u> |

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

17 Deferred taxation (Continued)

| | 2023 £'000 |
|-------------------------------|---------------|
| Movements in the year: | |
| Liability at 1 July 2022 | 257 |
| Credit to profit or loss | (139) |
| Liability at 30 June 2023 | <u>118</u> |

As part of the UK Budget in March 2021, changes to the UK corporation tax rates were announced including confirmation that the UK corporation tax rate will increase to 25% from 1 April 2023. This change has been reflected in the financial statements as at 30 June 2023.

18 Retirement benefit schemes

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>253</u> | <u>237</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.

At the year end, amounts of £22,000 (2022: £1,000) were payable to the defined contribution pension scheme, and are included within creditors.

19 Share capital

| | 2023 Number | 2022 Number | 2023 £'000 | 2022 £'000 |
|-------------------------------|----------------|----------------|---------------|---------------|
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary of £1 each | <u>29,411</u> | <u>29,411</u> | <u>29</u> | <u>29</u> |

The company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution rights. These shares do not confer any rights of redemption.

20 Reserves

Share premium

This reserve records the amount above the nominal value received for shares issued.

Profit & loss account

This reserve includes all current and prior period retained profits and losses net of dividends paid.

PARAGON INKS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2023 £'000 | 2022 £'000 |
|--------------------------------------|-------------------|-------------------|
| Acquisition of tangible fixed assets | - | 389 |
| | <u> </u> | <u> </u> |

22 Related party transactions

The company has taken advantage of the exemption granted by section 33.1A of FRS102 not to disclose transactions with other group companies.

23 Ultimate controlling party

The company's immediate parent company is Aldus Holdings (UK) Limited, a company incorporated in the United Kingdom and is the smallest group for which consolidated accounts are drawn up and of which Paragon Inks (Holdings) Limited is a member. Aldus Holdings (UK) Limited is a wholly owned subsidiary of Aldus Pty Limited. Aldus Pty Limited is the parent of the largest group for which consolidated accounts are drawn up and of which Paragon Inks (Holdings) Limited is a member.

The company's ultimate parent undertaking is Cladela Pty Limited, a company incorporated in Australia.