

COVERIS FLEXIBLES UK LIMITED (FORMERLY PARAGON LABELS LIMITED)

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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COVERIS FLEXIBLES UK LIMITED (FORMERLY PARAGON LABELS LIMITED)
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS:

A C Lennon
I R B Partington
D Patterson
K R Bostock
M E Lapping

SECRETARY:

K R Bostock

REGISTERED OFFICE:

Holland Place Wardentree Park
Pinchbeck
Spalding
Lincolnshire
PE11 3ZN

REGISTERED NUMBER:

02925612 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

BANKERS:

Barclays Bank plc
Third Floor
15 Colmore Row
PO Box 3333
Birmingham
B3 2WN

SOLICITORS:

DLA Piper
Princes Exchange
Princes Square
Leeds
LS1 4BY

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

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

REVIEW OF BUSINESS

As shown in the profit and loss account on page 8, revenues increased to by 5.8% to £141.5m (2012: £133.8m) as a result of increases in output volumes. Despite the tough economic climate, our strategy of investing in our staff and equipment (£5.7m was spent during 2013 on new equipment and improvements to our factories) resulted in gross margins of 23% being achieved (2012: 25%). Administrative expenses remained under tight control with overall costs at £25.7m (2012: £26.5m). The overall profit for the year has risen to £5.7m (2012: £4.9m) whilst EBITDA has increased to £11.2m (2012: £10.7m).

As shown in the balance sheet on page 9, the level of total fixed assets has increased by £1.7m. The overall capital expenditure on property, plant and equipment has been higher than the annual depreciation charge. Net working capital, excluding intercompany loans, has increased by £1m, which is predominantly due to increases in trade debtors, driven by increased revenues, and the timing of purchases of raw materials.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

FINANCIAL RISK MANAGEMENT

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

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

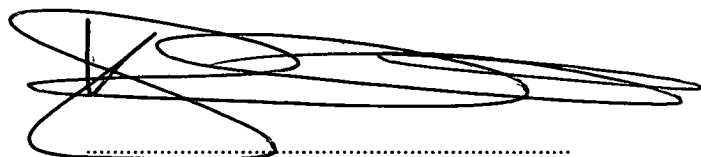
The company is exposed to liquidity risk. The company has committed financing through its parent undertakings and the group finance team regularly monitor available cash balances and available facilities to ensure that the group has sufficient funds to meet its obligations.

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

KEY PERFORMANCE INDICATORS ("KPIs")

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

On behalf of the board:

A handwritten signature in dark ink, appearing to be 'K R Bostock', written over a horizontal dotted line.

K R Bostock
Director

24 September 2014

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

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

CHANGE IN NAME

The company changed its name from Paragon Labels Limited to Coveris Flexibles UK Limited on 14 February 2014.

FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT

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

DIVIDENDS

An interim dividend of £5.83 per share was paid on 31 December 2013. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2013 will be £1,749,759.

DIRECTORS

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

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

Other changes in directors holding office are as follows:

M E Lapping - appointed 17 June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

EMPLOYEES

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

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

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

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

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


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

On behalf of the board:



.....
K R Bostock
Director

24 September 2014

Independent auditors' report to the members of Coveris Flexibles UK Limited (FORMERLY PARAGON LABELS LIMITED)

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

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

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

What we have audited

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

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

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Coveris Flexibles UK Limited (FORMERLY PARAGON LABELS LIMITED)(Continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

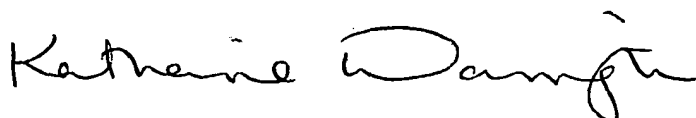
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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



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

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

	Notes	2013 £'000	2012 £'000
TURNOVER	2	141,470	133,752
Cost of sales		(108,535)	(100,647)
GROSS PROFIT		32,935	33,105
Administrative expenses		(25,658)	(26,510)
OPERATING PROFIT	4	7,277	6,595
Interest receivable and similar income		5	9
Interest payable and similar charges	5	(1,411)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,871	6,604
Tax on profit on ordinary activities	6	(181)	(1,675)
PROFIT FOR THE FINANCIAL YEAR		5,690	4,929

CONTINUING OPERATIONS

All activities are in respect of continuing operations.

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

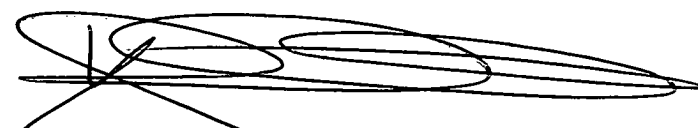
There is no difference between the profit on ordinary activities before tax and the profit for the financial year stated above, and their historical cost equivalents.

COVERIS FLEXIBLES UK LIMITED (FORMERLY PARAGON LABELS LIMITED) (REGISTERED NUMBER: 02925612)

**BALANCE SHEET
31 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	8	982	1,209
Tangible assets	9	<u>22,303</u>	<u>20,613</u>
		23,285	21,822
CURRENT ASSETS			
Stocks	10	12,425	12,045
Debtors	11	99,415	50,134
(includes £63.8m (2012:£17.6m) due after more than one year)			
Cash in hand		<u>1,980</u>	<u>712</u>
		113,820	62,891
CREDITORS			
Amounts falling due within one year	12	<u>(37,477)</u>	<u>(26,582)</u>
NET CURRENT ASSETS		76,343	36,309
TOTAL ASSETS LESS CURRENT LIABILITIES		99,628	58,131
CREDITORS			
Amounts falling due after more than one year	13	(83,504)	(45,881)
PROVISIONS FOR LIABILITIES	16	<u>(1,184)</u>	<u>(1,250)</u>
NET ASSETS		<u>14,940</u>	<u>11,000</u>
CAPITAL AND RESERVES			
Called up share capital	17	300	300
Profit and loss account	18	<u>14,640</u>	<u>10,700</u>
SHAREHOLDERS' FUNDS	23	<u>14,940</u>	<u>11,000</u>

The financial statements on pages 8 to 19 were approved by the Board of Directors on 24 September 2014 and were signed on its behalf by:



 K R Bostock
 Director

The notes form part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Accounting convention

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

Turnover

Turnover represents amounts invoiced for the provision of goods and/or services provided during the year, excluding value added tax and after deducting for agreed trade/settlement discounts.

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

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

Goodwill

Purchased goodwill arising on the acquisition of unincorporated businesses represents the fair value of the consideration given over the fair value of the identifiable net assets acquired. Purchased goodwill is amortised through the profit and loss account over its estimated useful economic life, being ten to twenty years.

Tangible fixed assets

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

Freehold property	- 2% to 10% on cost
Freehold land	- not provided
Plant and machinery	- 6.67% to 20% on cost
Fixtures and fittings	- 15% to 33% on cost
Motor vehicles	- 25% on cost

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

1. ACCOUNTING POLICIES - continued

Stocks

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

Tax

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

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

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

Foreign currencies

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

Pensions

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

Financial reporting standard 1

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

Financial reporting standard 8

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

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

1. ACCOUNTING POLICIES - continued

Government grants

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

Finance and operating leases

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

Investments

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

Research and development

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

2. TURNOVER

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

	2013 £'000	2013 £'000
United Kingdom	137,003	130,315
Europe	4,173	3,085
Other	<u>294</u>	<u>352</u>
	<u>141,470</u>	<u>133,752</u>

3. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	28,031	26,398
Social security costs	2,785	2,570
Other pension costs	<u>865</u>	<u>758</u>
	<u>31,681</u>	<u>29,726</u>

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

3. STAFF COSTS - continued

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

	2013	2012
Directors	4	4
Production	763	739
Administration	<u>275</u>	<u>262</u>
	<u>1,042</u>	<u>1,005</u>

4. OPERATING PROFIT

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

	2013 £'000	2012 £'000
Depreciation - owned assets	3,961	3,914
Profit on disposal of fixed assets	(26)	(41)
Goodwill amortisation	227	228
Auditors' remuneration	27	26
Foreign exchange differences	-	1
Operating lease - land and buildings	2,242	2,008
Operating lease - other	<u>980</u>	<u>1,028</u>

Auditors' remuneration relates to amounts received in relation to the audit of the company financial statements. In addition fees of £10,000 (2012: £10,000 were paid to the auditor in relation to taxation compliance services provided during the year.

	2013 £	2012 £
Directors' remuneration	<u>-</u>	<u>-</u>

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank loan interest	<u>1,411</u>	<u>-</u>

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

6. TAXATION

Analysis of the tax charge

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

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	1,864	2,525
Adjustment in respect of previous years:	<u>(1,617)</u>	<u>(300)</u>
Total current tax	247	2,225
Deferred tax	<u>(66)</u>	<u>(550)</u>
Tax on profit on ordinary activities	<u>181</u>	<u>1,675</u>

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:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>5,871</u>	<u>6,604</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	1,365	1,618
Effects of:		
Expenses not deductible for tax purposes	302	1,136
Capital allowances in excess of depreciation	-	(229)
Depreciation in excess of capital allowances	190	-
Adjustments to tax charge in respect of previous periods	(1,617)	(300)
Movement in short term timing differences	7	-
Current tax charge	<u>247</u>	<u>2,225</u>

Factors affecting the future tax charges:

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

7. DIVIDENDS

	2013 £'000	2012 £'000
Ordinary shares of £1 each		
Interim	<u>1,750</u>	<u>4,364</u>

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

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 January 2013 and 31 December 2013	<u>1,898</u>
AMORTISATION	
At 1 January 2013	(689)
Amortisation for year	<u>(227)</u>
At 31 December 2013	<u>(916)</u>
NET BOOK VALUE	
At 31 December 2013	<u><u>982</u></u>
At 31 December 2012	<u><u>1,209</u></u>

9. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
COST					
At 1 January 2013	2,970	35,610	6,860	161	45,601
Additions	-	5,132	564	5	5,701
Disposals	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>(92)</u>
At 31 December 2013	<u>2,970</u>	<u>40,650</u>	<u>7,424</u>	<u>166</u>	<u>51,210</u>
DEPRECIATION					
At 1 January 2013	(741)	(19,467)	(4,623)	(157)	(24,988)
Charge for year	(73)	(3,003)	(882)	(3)	(3,961)
Eliminated on disposal	<u>-</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
At 31 December 2013	<u>(814)</u>	<u>(22,428)</u>	<u>(5,505)</u>	<u>(160)</u>	<u>(28,907)</u>
NET BOOK VALUE					
At 31 December 2013	<u><u>2,156</u></u>	<u><u>18,222</u></u>	<u><u>1,919</u></u>	<u><u>6</u></u>	<u><u>22,303</u></u>
At 31 December 2012	<u><u>2,229</u></u>	<u><u>16,143</u></u>	<u><u>2,237</u></u>	<u><u>4</u></u>	<u><u>20,613</u></u>

Included in cost of land and buildings is freehold land of £268,869 (2012 - £268,869) which is not depreciated.

10. STOCKS

	2013 £'000	2012 £'000
Raw materials	3,751	4,561
Finished goods	<u>8,674</u>	<u>7,484</u>
	<u><u>12,425</u></u>	<u><u>12,045</u></u>

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

11. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	32,407	29,543
Amounts owed by group undertakings	-	750
Other debtors	1,233	1,190
Corporation tax	861	-
Prepayments	<u>1,119</u>	<u>1,095</u>
	<u>35,620</u>	<u>32,578</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>63,795</u>	<u>17,556</u>
Aggregate amounts	<u>99,415</u>	<u>50,134</u>

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

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Bank loans and overdrafts (see note 14)	9,652	-
Trade creditors	17,328	16,403
Corporation tax	-	638
Other taxes and social security	1,897	1,836
Other creditors	405	133
Accruals and deferred income	<u>8,195</u>	<u>7,572</u>
	<u>37,477</u>	<u>26,582</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed to group undertakings	<u>83,504</u>	<u>45,881</u>

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

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

14. LOANS

An analysis of the maturity of loans is given below:

	2013 £'000	2012 £'000
Amounts falling due within one year or on demand:		
Bank loans and overdrafts	<u>9,652</u>	<u>-</u>

15. OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other operating leases	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiring:				
Within one year	253	16	258	167
Between one and five years	546	334	499	734
In more than five years	<u>1,059</u>	<u>1,444</u>	<u>10</u>	<u>18</u>
	<u>1,858</u>	<u>1,794</u>	<u>767</u>	<u>919</u>

16. PROVISIONS FOR LIABILITIES

	2013 £'000	2012 £'000
Deferred tax		
Other timing differences	112	-
Accelerated capital allowances	<u>1,072</u>	<u>1,250</u>
	<u>1,184</u>	<u>1,250</u>
		Deferred tax
		£'000
Balance at 1 January 2013		1,250
Credit to profit and loss account during year		<u>(66)</u>
Balance at 31 December 2013		<u>1,184</u>

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

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

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2013 £'000	2012 £'000
Number:	Class:			
300,000	Ordinary	£1	<u>300</u>	<u>300</u>

18. RESERVES

	Profit and loss account £'000
At 1 January 2013	10,700
Profit for the year	5,690
Dividends	<u>(1,750)</u>
At 31 December 2013	<u>14,640</u>

19. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. Contributions payable are charged in the profit and loss account. At the year end £96,914 (2012 - £109,140) was outstanding.

20. ULTIMATE PARENT COMPANY

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

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

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

21. CONTINGENT LIABILITIES

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

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

22. CAPITAL COMMITMENTS

	2013	2012
	£'000	£'000
Contracted but not provided for in the financial statements	<u>467</u>	<u>2,555</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	5,690	4,929
Dividends	<u>(1,750)</u>	<u>(4,364)</u>
Net addition to shareholders' funds	3,940	565
Opening shareholders' funds	<u>11,000</u>	<u>10,435</u>
Closing shareholders' funds	<u>14,940</u>	<u>11,000</u>