

Company No: 02634586 (England and Wales)

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PARAGON SOFTWARE SYSTEMS LIMITED
Annual Report and Unaudited Financial Statements
For the financial year ended 31 December 2021

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PARAGON SOFTWARE SYSTEMS LIMITED
Annual Report and Unaudited Financial Statements
For the financial year ended 31 December 2021

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PARAGON SOFTWARE SYSTEMS LIMITED

COMPANY INFORMATION

For the financial year ended 31 December 2021

DIRECTORS

N Marrison
H M Stein

REGISTERED OFFICE:

Lincoln House
Ground Floor Suite
Wellington Crescent
Fradley Park
Lichfield
WS13 8RZ
United Kingdom

COMPANY NUMBER:

02634586 (England and Wales)

PARAGON SOFTWARE SYSTEMS LIMITED
STRATEGIC REPORT
For the financial year ended 31 December 2021

The directors present their Strategic Report for the financial year ended 31 December 2021.

REVIEW OF THE BUSINESS

The Company's objectives are to maintain the quality of its software, its reputation and its profitability. The Company's underlying philosophy is to provide an excellent service to its clients and to make sure they achieve the benefits that they anticipate from the software.

A fuller description of the activities, strategy and business review of the wider Group is provided in the consolidated financial statements prepared by Gator Intermediate Holdco (UK) Limited. These consolidated financial statements also provide a full description of all the risks that the wider Group is subject to.

KEY PERFORMANCE INDICATORS ('KPIs')

The Company monitors a number of key performance indicators on an ongoing basis. Detailed cost reviews are used to identify areas of improvement to ensure optimal business performance.

Key performance indicators that are used to monitor and manage the business are primarily:

	2021	2020
	£	£
Turnover	12,180,779	11,532,355

The gross margin for current year is 87.98% (2020: 91.04%).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in a highly competitive market which is a continuing risk to the Company and could result in losing revenue to its key competitors. The Company manages this risk at group level by providing value added services to its customers, responding promptly to customer requests and by maintaining strong relationships with its customers.

The Company does not have external borrowing requirements.

Credit risks arises on financial instruments such as trade debtors. Policies and procedures exist at group level to ensure that the trade debtors have an appropriate credit history. Debtors are stated net of provision.

PARAGON SOFTWARE SYSTEMS LIMITED
STRATEGIC REPORT (continued)
For the financial year ended 31 December 2021

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:
N Marrison
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N Marrison
Director

Lincoln House
Ground Floor Suite
Wellington Crescent
Fradley Park
Lichfield
WS13 8RZ
United Kingdom

Date: 23 September 2022 | 16:10:04 BST

PARAGON SOFTWARE SYSTEMS LIMITED
DIRECTORS' REPORT
For the financial year ended 31 December 2021

The directors present their annual report and the unaudited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was information technology consultancy activities.

GOING CONCERN

After reviewing the Company's and Group's forecast and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The impact of the COVID-19 situation continues to be assessed by the business, with management still expecting that there will be no significant impact on the results or going concern.

REVIEW OF THE BUSINESS

Turnover for the financial year amounted to £12,180,779 (2020: £11,532,355). The Company earned a profit after taxation totalling £4,461,984 (2020: £3,123,767).

The net current asset position of the Company as at the financial year end amounted to £11,640,496 (2020: net current asset £6,893,577).

The net asset position of the Company as at the financial year end amounted to £15,606,760 (2020: net asset £11,144,776).

No dividend was paid for the current financial year (2020: £Nil).

DIRECTORS

The directors, who served during the financial year and to the date of this report except as noted, were as follows:

N Marrison

K J McAdams (Resigned 09 June 2022)

H M Stein

DIRECTORS' INDEMNITIES


The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the financial year and remain in force at the date of this report.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES AND DEBENTURES

The directors and secretary of the Company who held office at 31 December 2021 had no beneficial interest in the shares of the Company at 31 December 2021 or at 01 January 2021.

PARAGON SOFTWARE SYSTEMS LIMITED
DIRECTORS' REPORT (continued)
For the financial year ended 31 December 2021

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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N Marrison
Director
Lincoln House
Ground Floor Suite
Wellington Crescent
Fradley Park
Lichfield
WS13 8RZ
United Kingdom

Date: 23 September 2022 | 16:10:04 BST

PARAGON SOFTWARE SYSTEMS LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
For the financial year ended 31 December 2021

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 financial 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 UK 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. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PARAGON SOFTWARE SYSTEMS LIMITED
PROFIT AND LOSS ACCOUNT
For the financial year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	3	12,180,779	11,532,355
Cost of sales		<u>(1,464,002)</u>	<u>(1,032,454)</u>
Gross profit		10,716,777	10,499,901
Administrative expenses		(4,233,337)	(6,558,922)
Exceptional costs		<u>(679,076)</u>	<u>-</u>
Operating profit		5,804,364	3,940,979
Finance income (net)	4	<u>21,839</u>	<u>19,750</u>
Profit before taxation	5	5,826,203	3,960,729
Tax on profit	8	<u>(1,364,219)</u>	<u>(836,962)</u>
Profit for the financial year		<u>4,461,984</u>	<u>3,123,767</u>

PARAGON SOFTWARE SYSTEMS LIMITED

BALANCE SHEET

As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	471,991	234,559
Tangible assets	10	8,825	12,579
Investments	11	4,004,061	4,004,061
		4,484,877	4,251,199
Current assets			
Debtors	12	26,304,252	14,705,939
Cash at bank and in hand		193,854	141,275
		26,498,106	14,847,214
Current liabilities			
Amounts falling due within one year	13	(14,857,610)	(7,953,637)
Net current assets		11,640,496	6,893,577
Total assets less current liabilities		16,125,373	11,144,776
Creditors: amounts falling due after more than one year		(455,571)	-
Provision for liabilities		(63,042)	-
Net assets		15,606,760	11,144,776
Capital and reserves			
	15		
Called-up share capital		70,658	70,658
Share premium account		132,900	132,900
Capital redemption reserve		(9,530)	(9,530)
Profit and loss account		15,412,732	10,950,748
Total shareholder's funds		15,606,760	11,144,776

For the financial year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the financial year in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements of Paragon Software Systems Limited (registered number: 02634586) were approved and authorised for issue by the Board of Directors on 23 September 2022 | 16:10:04 BST They were signed on its behalf by:

DocuSigned by:

N Marrison

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N Marrison
Director

PARAGON SOFTWARE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and to the preceding financial year, unless otherwise stated.

General information and basis of accounting

Paragon Software Systems Limited (the Company) is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Lincoln House, Ground Floor Suite, Wellington Crescent, Fradley Park, Lichfield, WS13 8RZ, United Kingdom.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The functional currency of Paragon Software Systems Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Paragon Software Systems Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Paragon Software Systems Limited is consolidated in the financial statements of Gator Intermediate Holdco (UK) Limited which may be obtained from the address in note 18. Exemptions have been taken in these separate company financial statements in relation to financial instruments, related party transactions, presentation of a Cash Flow Statement and remuneration of key management personnel.

Going concern

After reviewing the Company's and Group's forecast and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The impact of the COVID-19 situation continues to be assessed by the business, with management still expecting that there will be no significant impact on the results or going concern.

Group accounts exemption

Group accounts exemption s400

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.

The results of Paragon Software Systems Limited are included in the consolidated financial statements of Gator Intermediate Holdco (UK) Limited which are available from Lincoln House, Ground Floor Suite, Wellington Crescent, Fradley Park, Lichfield, WS13 8RZ, United Kingdom.

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the Profit and Loss Account in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and
- exchange differences arising on gains or losses on non-monetary items which are recognised in the Statement of Comprehensive Income.

Turnover

Turnover are recognised on the basis of the performance of contractual obligations and to the extent that the right to consideration has been earned. In cases where a single contractual arrangement involves the sale of licences, support, maintenance and services the consideration received is allocated to the components of the arrangement on a relative fair value basis.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Employee benefits

Short term benefits

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

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

Annual bonus plan

The Group operates a number of annual bonus plans for employees. An expense is recognised in the Profit and Loss Account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Defined contribution schemes

For defined contribution schemes the amounts charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits are the contributions payable in the financial year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

PARAGON SOFTWARE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2021

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in the Statement of Comprehensive Income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the Company and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

PARAGON SOFTWARE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the financial year ended 31 December 2021**

Non-financial assets

At each balance sheet date, the company reviews its 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). The recoverable amount of an asset is the higher of its fair value less costs to sell and its 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. 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. 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.

Financial assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Balance Sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Profit and Loss Account as described below.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Fixed asset investments

Investments in subsidiaries and associated undertakings are measured at cost less accumulated impairment.

Current asset investments

Investments in cash held as fixed term deposits are initially recognised at transaction price, and subsequently carried at amortised cost.

Investments in unlisted company shares are initially measured at transaction price, and subsequently remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period.

PARAGON SOFTWARE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2021

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Balance Sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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 experiences 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 year in which the estimate is revised affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The directors have not identified any areas of critical judgements, estimates or assumptions that have been made in the process of applying the Company's accounting policies and that have a significant effect on the financial statements.

3. Turnover

Turnover represents the fair value of goods/services provided to customers during the financial year excluding value added tax.

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

4. Finance income (net)

	2021	2020
	£	£
Interest receivable and similar income	298,933	19,750
Interest payable and similar expenses	(277,094)	-
	<u>21,839</u>	<u>19,750</u>

Interest receivable and similar income

	2021	2020
	£	£
Interest from group undertakings	<u>298,933</u>	<u>19,750</u>

Interest payable and similar expenses

	2021	2020
	£	£
Loans from group undertakings	<u>(277,094)</u>	<u>-</u>

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2021	2020
	£	£
Depreciation of tangible fixed assets (note 10)	3,754	29,833
Amortisation of intangible assets (note 9)	447,824	17,567
Operating lease rentals	291,863	263,944
Loss on disposal of fixed assets	-	6,804

6. Staff number and costs

	2021	2020
	Number	Number
The average monthly number of employees (including directors) was:		
Management and technical	<u>41</u>	<u>57</u>

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	2,305,311	4,146,502
Social security costs	333,060	608,635
Other retirement benefit costs	160,645	159,658
	<u>2,799,016</u>	<u>4,914,795</u>

7. Directors' remuneration

	2021	2020
	£	£
Emoluments	-	619,413
Amounts receivable (other than shares and share options) under long-term incentive schemes	-	20,120
	<u>-</u>	<u>639,533</u>

The directors of the Company are also directors of fellow subsidiaries within the wider group. The directors are remunerated by other group companies and did not receive any emoluments from the Company in the current year (2020: £619,413). The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of fellow subsidiary companies. The directors are the only key management personnel of this Company.

In the prior year the highest paid director received remuneration of £249,558. In the prior year the value of money of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted of £4,365.

During the year no directors received shares under the long term incentive schemes (2020: nil).

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

8. Tax on profit

	2021	2020
	£	£
Current tax on profit		
UK corporation tax	1,069,239	836,962
Adjustments in respect of prior years		
UK corporation tax	194,133	-
Total current tax	1,263,372	836,962
Deferred tax		
Origination and reversal of timing differences	-	(3,349)
Effect of increase in tax rate on opening liability	-	(2,148)
Deferred tax current year	48,189	5,497
Adjustment in respect of prior periods	52,658	-
Total deferred tax	100,847	-
Total tax on profit	1,364,219	836,962

On 17 March 2020, the Provisional Collection of Taxes Act was used to substantively enact a 19% tax rate and accordingly, the deferred tax balances were re-calculated from 17% to 19% at 31 December 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023 as well as introducing a small profits rate of 19%. These rates were substantively enacted via the Finance Bill 2021 on 24 May 2021.

This is not expected to have a material impact on our deferred tax assets liabilities.

Tax reconciliation

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK:

	2021	2020
	£	£
Profit before taxation	5,826,203	3,960,729
Tax on profit at standard UK corporation tax rate of 19.00% (2020: 19.00%)	1,106,979	752,539
Effects of:		
- Expenses not deductible for tax purposes	10,449	26,999
- Adjustments in respect of prior years	194,133	36,267
- Deferred tax adjustment in respect of prior years	52,658	(21,157)
Total tax charge for year	1,364,219	836,962

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

9. Intangible assets

	Development costs	Total
	£	£
Cost		
At 01 January 2021	252,126	252,126
Additions	685,256	685,256
At 31 December 2021	937,382	937,382
Accumulated amortisation		
At 01 January 2021	17,567	17,567
Charge for the financial year	447,824	447,824
At 31 December 2021	465,391	465,391
Net book value		
At 31 December 2021	471,991	471,991
At 31 December 2020	234,559	234,559

10. Tangible assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 01 January 2021	296,377	174,135	682,084	1,152,596
At 31 December 2021	296,377	174,135	682,084	1,152,596
Accumulated depreciation				
At 01 January 2021	285,142	172,791	682,084	1,140,017
Charge for the financial year	2,809	945	-	3,754
At 31 December 2021	287,951	173,736	682,084	1,143,771
Net book value				
At 31 December 2021	8,426	399	-	8,825
At 31 December 2020	11,235	1,344	-	12,579

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

11. Fixed asset investments**Investments in subsidiaries**

	2021 £
Cost	
At 01 January 2021	4,004,061
At 31 December 2021	4,004,061
Carrying value at 31 December 2021	4,004,061
Carrying value at 31 December 2020	4,004,061

Investments in shares

Name of entity	Registered office	Nature of business	Class of shares	Ownership 31.12.2021	Ownership 31.12.2020
Paragon Software Systems Inc	2591 Dallas Parkway Suite, 300 Frisco, TX 75034 United States	Sale of software systems	Ordinary	100.00%	100.00%
Paragon Software Systems Trustee Limited	35 Ballards Lane, Finchley, London, N3 1XW	Dormant	Ordinary	100.00%	100.00%
Axant Limited	Lincoln House, Ground Floor Suite, Wellington Crescent, Fradley Park, Lichfield, WS13 8RZ, United Kingdom	Intermediate holding company	Ordinary	100.00%	100.00%
Paragon HDX Limited*	Lincoln House, Ground Floor Suite, Wellington Crescent, Fradley Park, Lichfield, WS13 8RZ, United Kingdom	Sale of software systems	Ordinary	100.00%	100.00%
Paragon Hungarian Kft	9028 Győr, Páva u. 41	Market and distribute software	Ordinary	49.62%	49.62%
Pan Rui-Software (Shanghai) Co Ltd	Floor 1-2, Building 4, No. 1628, Lizheng Road, Shuyuan Town, Pudong New District, Shanghai, People's Republic of China	Sale of software systems	Ordinary	100.00%	100.00%

*The shares of this Company are indirectly held via Axant Limited.

On 14 June 2022 Paragon Software Systems Trustee Limited received a voluntary strike off notice to be dissolved.

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

12. Debtors

	2021	2020
	£	£
Trade debtors	4,495,866	5,305,532
Amounts owed by Group undertakings (note 17)	21,299,586	8,874,757
Prepayments	508,800	487,845
Deferred tax asset	-	37,805
	<u>26,304,252</u>	<u>14,705,939</u>

Amounts owed by Group undertakings are subject to interest charges at the greater of 2.5% or LIBOR, unsecured and repayable on demand. In the prior year, the amounts owed by Group undertakings were interest free.

13. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	163,757	182,978
Amounts owed to Group undertakings (note 17)	6,098,324	299,790
Corporation tax	1,196,043	699,152
Other taxation and social security	837,027	1,724,443
Other creditors	308,075	-
Accruals	6,254,384	5,047,274
	<u>14,857,610</u>	<u>7,953,637</u>

Amounts owed by Group undertakings are subject to interest charges at the greater of 2.5% or LIBOR, unsecured and repayable on demand. In the prior year, the amounts owed by Group undertakings were interest free.

The Company is party to loans by way of a fixed and floating charge over all of the assets of the Company and other Group companies. Details of these loans are included in the parent company's accounts.

14. Deferred tax

	2021	2020
	£	£
At the beginning of financial year	37,805	37,805
Charged to the Profit and Loss Account	(100,847)	-
At the end of financial year	<u>(63,042)</u>	<u>37,805</u>

PARAGON SOFTWARE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the financial year ended 31 December 2021

15. Called-up share capital and reserves

	2021	2020
	£	£
Allotted, called-up and fully-paid		
70,658 Ordinary shares of £1.00 each (2020: 2,658 shares of £1.00 each)	<u>70,658</u>	<u>2,658</u>
Presented as follows:		
Called-up share capital presented as equity	<u>70,658</u>	<u>70,658</u>

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The capital redemption reserve represents amounts arising from the purchase of own share capital.

16. Financial commitments**Commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
- within one year	223,656	361,585
- between one and five years	<u>682,993</u>	<u>391,916</u>
	<u>906,649</u>	<u>753,501</u>

Pensions

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £160,645 (2020: £159,658). Employee and employer contributions of £33,189 (2020: £33,390) were waiting to be paid into the pension scheme at the period end.

17. Related party transactions

The Company has availed of the exemption provided in FRS 102 Section 33 Related Party Disclosures not to disclose transactions entered into with fellow group companies that are wholly owned within the group of companies of which the Company is a wholly owned member.

PARAGON SOFTWARE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2021

18. Controlling party

The immediate parent undertaking of the Company is Aptean Limited. The ultimate parent undertaking is Gaytor Parent Limited, a company incorporated in Jersey, Channel islands. The ultimate controlling parties are TA Associates, Charlesbank and Vista Equity Partners by virtue of their equal shareholding in Gaytor Parent Limited. The largest and smallest group for which consolidated accounts are prepared is that headed by Gator intermediate Holdco (UK) Limited with registered office at Lincoln House, Ground Floor Suite, Wellington Crescent, Fradley Park, Lichfield, WS13 8RZ, United Kingdom.