PARAGON ENTERTAINMENT LIMITED

Unaudited interim results for the six months ended 30 June 2015.

Paragon Entertainment Limited (AIM: PEL), the AIM-listed design and build, proprietary attractions and licensing & distribution company, is pleased to announce its unaudited interim results for the six months ended 30 June 2015.

Highlights

- Revenue £4.5m (H1 2014: 4£.0) representing a 20% increase on 2014 H1
- Return to profitability
- Successful completion of projects such as the Maya Exhibition at Liverpool Museum, Heineken Experience, Amsterdam, and the new World War exhibition at Dover Castle
- Agreement reached to settle historical tax liability with HMRC

Financial Summary

	Unaudited Six months to June 2015 £000s	Unaudited Six months to June 2014 £000s	Audited Year to December 2014 £000s
Revenue	**4,529**	3,752	7,722
Gross profit	**956**	826	1,526
EBITDA (1)	**80**	(54)	(84)
Underlying operating profit/(loss) (2)	**11**	(118)	(212)
Profit/(loss) for the year from continuing operations	**153**	(194)	(351)
Profit/(loss) for the year	**84**	(700)	(980)
Cash balance	**(127)**	636	930
Basic earnings per share	**0.04**	(0.37)	(0.52)
Normalised earnings per share (3)	**0.05**	(0.06)	(0.13)

(1) EBITDA is defined as earnings before depreciation, amortisation, interest, share based payments, exceptional items and tax.
(2) Underlying operating profit/(loss) is EBITDA plus depreciation and other amortisation.
(3) Normalised earnings per share are earnings per share before amortisation on acquired intangibles, share based payments and exceptional items.

Mark Taylor, Executive Chairman, commented:
"I remain satisfied that Paragon is continuing to deliver on the opportunities available to it. We are making steady progress but we still have some hard work ahead of us."

Mark Pyrah, Chief Executive Officer, commented:
"The past year has been a challenge though we are excited about the busy six months ahead with a number of exciting projects."

ENDS

For further information:

Paragon Entertainment Limited Mark Pyrah / Richard Arden	01904 680020
finnCap Ltd Julian Blunt / Simon Hicks (corporate finance) Alice Lane (corporate broking)	020 7220 0500

Notes to Editors:

Paragon Entertainment Limited (AIM:PEL) is an award winning provider of attraction services from initial design and production through to the direct operation and development of themed attractions.

It is the holding company for:

- Paragon Creative Limited, a visitor attraction design, production and fit-out business;
- Paragon Entertainment (Attractions) Limited, a visitor attraction and licensing company; and
- The Visitor Attraction Company (TVAC), an attraction consultancy, feasibility and operations company.

The Group's projects have included:

- The design and build of galleries at the Olympic Museum for the IOC in Lausanne, Switzerland;
- The design and build of the galleries at The National Museum of Kazakhstan;
- The design and build of Titanic Belfast;
- The thematic build of the Wallace and Gromit ride at Blackpool Pleasure Beach;
- Licensing and distribution installations at Gullivers, Milton Keynes and Art Mall, Ukraine.

The Group listed on AIM in 2011.

Further information can be found at: http://www.paragonent.com/

CHIEF EXECUTIVE'S REPORT

Corporate Update

The Group's strategic vision is to use its unique mix of skills and expertise to create, develop and operate world class visitor attractions, to enrich and entertain its customers and deliver sustainable growth to stakeholders.

We announced our results for 2014 less than a month ago on 24 June 2015 so my report should be seen as an update on this. The Group's revenue for the first half of 2015 was £4.5m and EBITDA was £80,000 showing a return to profit. We have satisfied the bank's EBITDA interest coverage covenant for the rolling 12 months to 30 June 2015. Our bankers remain supportive of the Group.

The second half of 2015 continues to be focused on the commencement of new contracted projects, the delivery of existing projects, and the exploitation of key license agreements and product partnership sales. Following the disposal of Quest Merry Hill, the Board is considering its strategic options in relation to the development of attractions. As the core segment, our Creative ("Design & Build") division remains profitable and we continue see upside potential as previously advised.

Management update

Subsequent to advising of the CFO's departure at the end of July 2015, the finance team has now been strengthened with the further recruitment of a group financial controller. The board does not currently intend appointing a CFO although it will continue to review this decision from time to time.

Creative ('Design and Build')

The Creative division, the core component of the Group, has seen third party revenues increase from £4.5 million in 2015 H1 representing a 21% increase on 2014 H1 and a 14% increase on 2014 H2.

Creative is currently working on a number of high profile projects including Golden Hall for Lambda in Athens, work for MAF across the MENA region, further work for the International Olympic Committee in Switzerland, Portsmouth Boat House 4, Liverpool Museum, Train World in Belgium and work for the BBC and London Zoo.

We continue to see considerable growth in the sector and our tendering opportunities continue to increase steadily.

Financial Performance

The Group has made a small profit at the EBITDA level of £80,000 during the period. Design and Build generated EBITDA of £322,000 and Licensing made an EBITDA loss of £24,000.

At the end of June, the cash balance was a net overdraft of £127,000. The Group remains in active discussion with HSBC over the renewal of its secured term loan and overdraft and at this stage there are no indications that HSBC will not renew these facilities when due for a further period of 12 months to end July 2016.

Post balance sheet events

Under the terms of the acquisition agreement between the Company and the vendors of Paragon Creative Limited ("PCL") dated 15 December 2011 ("Acquisition Agreement") it was agreed that further consideration was due to the vendors ("Vendors") but was deferred subject to the Vendors indemnifying the Company against certain potential liabilities of PCL, including tax, to HMRC. The Vendors comprise Mark Pyrah, Peter Holdsworth, Colin Pyrah (father of Mark Pyrah) and Stephen Jackson, the first two being directors of Paragon.

The further consideration due under the terms of the Acquisition Agreement was up to a maximum of £750,000 and was to be satisfied (at the Company's absolute discretion) in cash and/or by the issue of Ordinary Shares of an equivalent value, up to a maximum of 18.75 million Ordinary Shares.

The final amount due for settlement to HMRC has now been determined as £398,346.02 payable in cash by PCL as to £129,386.02 within 90 days of the agreement with HMRC and a further £268,960 in equal instalments over the course of the following 20 months.

The Independent Directors of the Company (being Mark Taylor, Richard Arden and Martin Barratt) are now considering how this matter should be dealt with vis-à-vis the indemnity by Vendors and the deferred consideration due to Vendors referred to above. A further announcement will be made when this matter has been finally determined.

Mark Pyrah

Interim Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	**Six months to June 2015 £000s**	Six months to June 2014 £000s	Year to December 2014 £000s
Revenue	3	**4,529**	3,752	7,722
Cost of sales		**(3,573)**	(2,926)	(6,196)
Gross Profit		**956**	826	1,526
Administrative and other operating expenses		**(1,019)**	(1,022)	(1,916)
Analysed as:				
EBITDA		**80**	(54)	(84)
Share based payment charges		**(11)**	-	(22)
Exceptional and other items		**38**	23	46
Amortisation of acquired intangibles		**(101)**	(101)	(202)
Depreciation and other amortisation		**(69)**	(64)	(128)
Operating loss from operations		**(63)**	(196)	(390)
Finance costs		**33**	(18)	(37)
Loss before income tax		**(30)**	(214)	(427)
Income tax credit		**183**	20	76
Profit/(loss) from continuing operations		**153**	(194)	(351)
Loss on discontinued operation, net of tax		**(69)**	(506)	(629)
Total comprehensive income/(loss) attributable to the owners of the parent		**84**	(700)	(980)

Earnings per share attributable to the equity holders of the Company during the year (expressed in pence per share)

Basic profit/(loss) per share				
- from continuing operations	4	**0.08**	(0.10)	(0.19)
- from discontinued operations	4	**(0.04)**	(0.27)	(0.33)
		0.04	(0.37)	(0.52)
Diluted profit/(loss) per share				
- from continuing operations	4	**0.08**	(0.10)	(0.19)
- from discontinued operations	4	**(0.04)**	(0.27)	(0.33)
		0.04	(0.37)	(0.52)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	**June 2015** **£000s**	June 2014 £000s	December 2014 £000s
Non-current assets				
Intangible assets		**1,894**	2,096	1,995
Property, plant and equipment		**1,045**	1,292	1,097
Deferred income tax asset		**281**	-	191
Total non-current assets		**3,220**	3,388	3,283
Current assets				
Inventories		**46**	26	46
Deferred income tax asset		**-**	160	-
Trade and other receivables		**2,987**	2,421	2,815
Cash and cash equivalents	5	**23**	636	286
Total current assets		**3,056**	3,243	3,147
Assets in disposal groups classified as held for sale		**-**	-	121
Total assets		**6,276**	6,631	6,551
Current liabilities				
Trade and other payables		**2,752**	2,983	3,179
Deferred income		**113**	-	173
Borrowings	6	**445**	100	312
Financial liabilities		**-**	100	-
Total current liabilities		**3,310**	3,183	3,664
Non-current liabilities				
Borrowings	6	**27**	300	22
Deferred income tax liabilities		**105**	151	126
Total non-current liabilities		**132**	451	148
Net liabilities		**3,442**	3,634	3,812
Equity attributable to the owners of the parent				
Share capital		**188**	188	188
Share premium		**9,638**	9,638	9,638
Retained earnings		**(6,992)**	(6,829)	(7,087)
Total equity		**2,833**	2,997	2,739
Total equity and liabilities		**6,276**	6,631	6,551

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital £000s	Share premium £000s	Accumulated Losses £000s	Total £000s
Balance at 1 January 2014	188	9,638	(6,129)	3,697
Comprehensive income				
Loss for the period	-	-	(700)	(700)
Total comprehensive income	**-**	**-**	**(700)**	**(700)**
Transactions with owners				
Equity-settled share based payment transactions	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**
Balance at 30 June 2014	**188**	**9,638**	**(6,829)**	**2,997**

	Share capital £000s	Share premium £000s	Accumulated Losses £000s	Total £000s
Balance at 1 January 2015	188	9,638	(7,087)	2,739
Comprehensive income				
Profit for the period	-	-	84	84
Total comprehensive income	**-**	**-**	**84**	**84**
Transactions with owners				
Equity-settled share based payment transactions	-	-	11	11
Transactions with owners	**-**	**-**	**11**	**11**
Balance at 30 June 2015	**188**	**9,638**	**(6,992)**	**2,834**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	**Six months to June 2015 £000s**	Six months to June 2014 £000s	Year to December 2014 £000s
Cash flows from operating activities				
Net cash used in operating activities before interest and taxes	7	**(402)**	(99)	(278)
Interest paid		**(11)**	(18)	(16)
Income taxes refunded		**72**	-	-
Net cash used by continuing operations		**(341)**	(117)	(294)
Net cash used by discontinued operations		**(69)**	(36)	(122)
Net cash used by operating activities		**(410)**	(153)	(416)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(15)**	(176)	(156)
Sales of property, plant and equipment		**25**	-	8
Net cash from/(used in) investing activities		**10**	(176)	(148)
Cash flows from financing activities				
Proceeds from borrowings		**-**	44	-
Repayments of borrowings		**(12)**	(9)	(80)
Net cash (used in)/ from financing activities		**(12)**	35	(80)
Net decrease in cash and cash equivalents		**(413)**	(294)	(644)
Cash and cash equivalents and bank overdrafts at beginning of period		**286**	930	930
Cash and cash equivalents at end of period	5	**(127)**	636	286

Notes to the Condensed Set of Financial Statements

1. General information

Paragon Entertainment Limited is a limited company incorporated in the Cayman Islands, company registration number MC-234241, and domiciled in the UK. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The company has its primary listing on the Alternative Investment Market (AIM) on the London Stock Exchange. The company is registered with Companies House in the United Kingdom as a UK Establishment of an overseas company, company number FC030890.

The condensed consolidated interim financial information, including the financial information for the year ended 31 December 2014 set out in this interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The information for the period ended 30 June 2014 is derived from the non-statutory accounts for that financial period.

The non-statutory accounts for the year ended 31 December 2014 were approved on 23 June 2014 and shall be delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not draw attention to any matters by way of emphasis of matter.

This condensed consolidated interim financial information is unaudited and was approved for issue by the Board on 24 July 2015.

Basis of preparation
The condensed consolidated interim financial information for the period ended 30 June 2015 has been prepared in accordance with applicable accounting standards.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the period ended 31 December 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern
The Group has net overdraft at 30 June 2015 of £0.1 million. The Group's strategy is to grow Creative ('Design & Build') into new market segments and expand the licensing and distribution business. This will necessarily require a level of cash resources to support the working capital requirements of projects. However, the Group's forecasts and projections, taking account of a sensitivity analysis of changes in trading performance, show the Group is well placed to operate within this level of cash resource for the foreseeable future being a period of at least 12 months from the date of this report.

In the 2014 annual report, the Board advised that it had breached its EBITDA covenant and that it was in constructive discussion with the bank. The bank has formally agreed to take no action in relation to the breach but has reserved its rights under the facility agreements.

Therefore, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to enable it to continue in existence for the foreseeable future and, accordingly, the consolidated interim financial information has been prepared on a going concern basis.

2. Accounting policies

The principal accounting policies of the Group are consistent with those set out in the Group's 2014 Annual Report and Accounts.

A number of new and amended standards have become effective since the beginning of the previous financial year. None of the new standards and amendments are expected to materially affect the Group.

3. Segmental analysis

Management currently identifies the Group's four operating segments. These operating segments are monitored by the Group's Chief Operating Decision Maker and used to make strategic decisions on the basis of adjusted segment operating results.

Performance is measured based on EBITDA (as stated before share based payments and exceptional items and head office recharges) as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis. The information provided to the Board comprises the Statement of Comprehensive Income for each segment, the Statement of Financial Position and the Statement of Cash Flows and other financial and non-financial information used to manage the business on a consolidated basis.

Segment revenues comprise of revenues made to external customers and made between operating segments. The "Head Office" segment comprises the corporate activities which are unrelated to the individual segments and the elimination of inter-segmental transactions.

Segment information for the reporting periods is as follows:

Six months to 30 June 2015

	Creative £000s	Attractions £000s	Licensing £000s	Head Office £000s	Total £000s
Revenue					
- External customers	4,501	-	28	-	4,529
- Discontinued operations	-	137	-	-	137
- From other segments	-	-	-	240	240
Segment Revenues	**4,501**	**137**	**28**	**240**	**4,906**
EBITDA					
- Continuing operations	322	-	(27)	(215)	80
- Discontinued operations	-	(41)	-	-	(41)
Segment EBITDA	**322**	**(41)**	**(27)**	**(215)**	**39**

Six months to 30 June 2014

	Creative £000s	Attractions £000s	Licensing £000s	Head Office £000s	Total £000s
Revenue					
- External customers	3,535	-	217	-	3,752
- Discontinued operations	-	224	-	-	224
- From other segments	66	-	-	240	240
Segment Revenues	**3,601**	**224**	**217**	**240**	**4,282**
EBITDA					
- Continuing operations	108	-	24	(186)	(54)
- Discontinued operations	-	(34)	-	-	(34)
Segment EBITDA	**108**	**(34)**	**24**	**(186)**	**(88)**

4. Earnings per share

Earnings per share have been calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the six month period/year.

The calculations of basic and diluted loss per share are:

	Six months to June 2015 £000s	Six months to June 2014 £000s	Year to December 2014 £000s
Profit/(Loss) for the year attributable to shareholders	**84**	(700)	(980)
Loss for the year attributable to discontinued operations	**69**	506	629
Profit/(Loss) for the year attributable to continuing operations	**153**	(194)	(351)

Weighted average number of ordinary shares in issue:

	June 2015 Number	June 2014 Number	December 2014 Number
Basic	**187,680,550**	187,680,550	187,680,550
Diluted	**187,680,550**	187,680,550	187,680,550

There are 4.4 million employee EMI options and further Management Participation Shares and Marwyn Participation Option which vary in number up to a total of 20% of the fully diluted issued share capital. Neither has been included in the computation of EPS because their exercise is dependent upon the share price and in the latter case the increase in shareholder value, neither of which has been met. The total number of options and overview of the schemes is provided in note 8 of the published Annual Report and Accounts for the year ended 31 December 2014.

Part of the acquisition price paid to the Vendors of Paragon Creative Limited comprised deferred consideration which is payable in cash or shares at the company's option. The amount is determined after settlement of any liabilities arising from warranties in the sale and purchase agreement. The Company has yet to finalise settlement of such liabilities or determine if such are to be issued as shares, or in cash. As such, the number is not included in the diluted EPS.

Earnings per share:	**June 2015 Pence per share**	June 2014 Pence per share	December 2014 Pence per share
Earnings per share attributable to the equity holders of the Company			
- Basic and diluted	**0.04**	(0.37)	(0.52)
Earnings per share from discontinued operations			
- Basic and diluted	**(0.04)**	(0.27)	(0.33)
Earnings per share from continuing operations			
- Basic and diluted	**0.08**	(0.10)	(0.19)

Normalised earnings per share

Normalised earnings per share has been calculated by dividing the loss attributable to shareholders before amortisation, charges for share options and exceptional items including impairment charge on property, plant and equipment by the weighted average number of ordinary shares in issue during the year. The numbers used in calculating the normalised basic earnings per share are reconciled below:

	Six months to June 2015 £000s	Six months to June 2014 £000s	Year to December 2014 £000s
Loss from continuing operations before income taxes	**(30)**	(214)	(427)
Amortisation	**101**	101	202
Charges for share options	**11**	-	22
Exceptional items	**38**	(23)	(46)
Adjusted profit/(loss) attributable to shareholders	**120**	(136)	(249)
Current year tax (charge)/ credit excluding tax effect of above items	**(24)**	25	14
Normalised earnings/(loss)	**96**	(111)	(235)
Normalised earnings/(loss) per share	**0.05**	(0.06)	(0.13)

5. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise the following:

	June 2015 £000s	June 2014 £000s	December 2014 £000s
Cash at bank	**23**	636	286
Cash and cash equivalents (excluding overdrafts)	**23**	636	286

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	June 2015 £000s	June 2014 £000s	December 2014 £000s
Cash and cash equivalents (excluding overdrafts)	**23**	**636**	286
Bank overdrafts	**(150)**	**-**	-
Cash and cash equivalents	**(127)**	**636**	286

6. Borrowings

	June 2015 £000s	June 2014 £000s	December 2014 £000s
Current liabilities			
Bank overdraft	**150**	-	-
Bank loans	**264**	36	281
Hire purchase liabilities	**31**	64	31
	445	100	312
Non-current liabilities			
Bank loans	**-**	264	-
Hire purchase liabilities	**27**	36	22
	27	300	22
Total borrowings	**472**	400	334

7. Cash used in operations

	Six months to June 2015 £000s	Six months to June 2014 £000s	Year to December 2014 £000s
Loss before taxation	**(30)**	(214)	(427)
Adjustments for:			
- finance costs	**(33)**	18	37
- depreciation	**38**	64	128
- Profit on the sale of fixed assets	**-**	-	(4)
- amortisation	**101**	101	202
- share based payments	**11**	-	22
- fair value adjustments on financial liabilities	**-**	-	(100)
- inventories	**-**	6	(28)
- trade and other receivables	**66**	33	(360)
- trade and other payables	**(555)**	(95)	252
Cash used in operations	**(402)**	(99)	(278)

8. These results will be available on the Company's website, www.paragonent.com, with immediate effect.