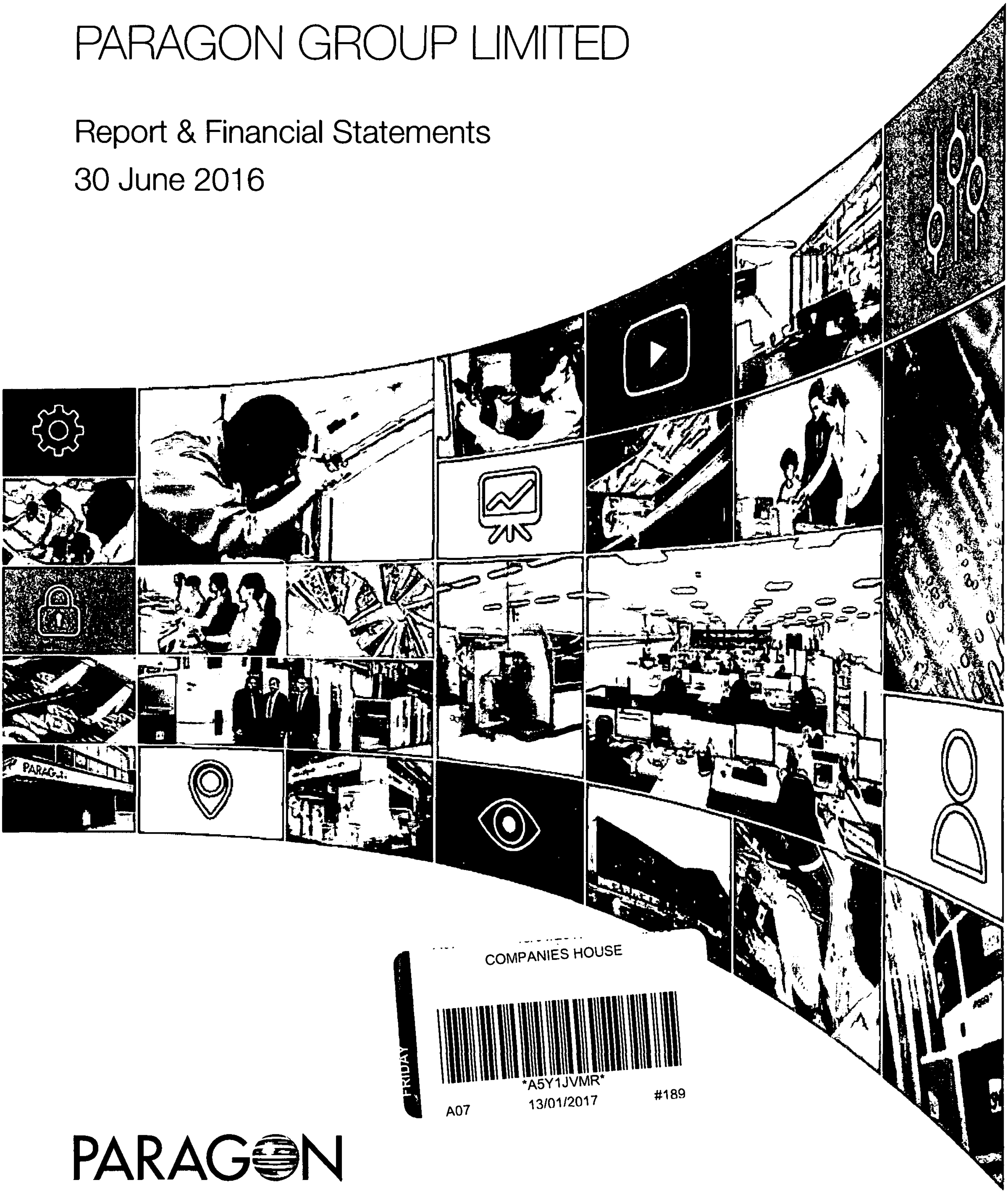
PARAGON GROUP LIMITED

Report & Financial Statements
30 June 2016



PARAGON

GET CLOSER

TAP THE ICON WITH YOUR NFC-ENABLED DEVICE TO DISCOVER RELATED CONTENT ONLINE

CONTENTS

Registered number 05258175

About
PARAGON

Paragon is in the business of **transformation**

Our mission is to help our clients to transform the way they **connect** with their **customers**

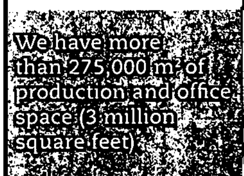
Our Identification & Traceability division uses RFID Contactless technology to deliver smart card and asset tracking solutions. This is the part of our business that get's people moving - on trains, in cars, or on skis - and tracks valuable assets such as luxury goods or medical samples

Our online platforms have more than
1 million
registered users and have a growth rate in order volumes of more than
25%
year-on-year

We have customers in more than
40 countries

We have been building our software platforms for more than 15 years

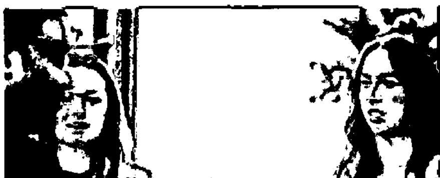
Our Document and Marketing division uses web and workflow technologies to help organisations improve the personalisation and individualisation of their communications to customers



We have more than 275,000 m² of production and office space (3 million square feet)

Worldwide, more than
150 people every second
complete a journey using a Paragon smartcard or ticket

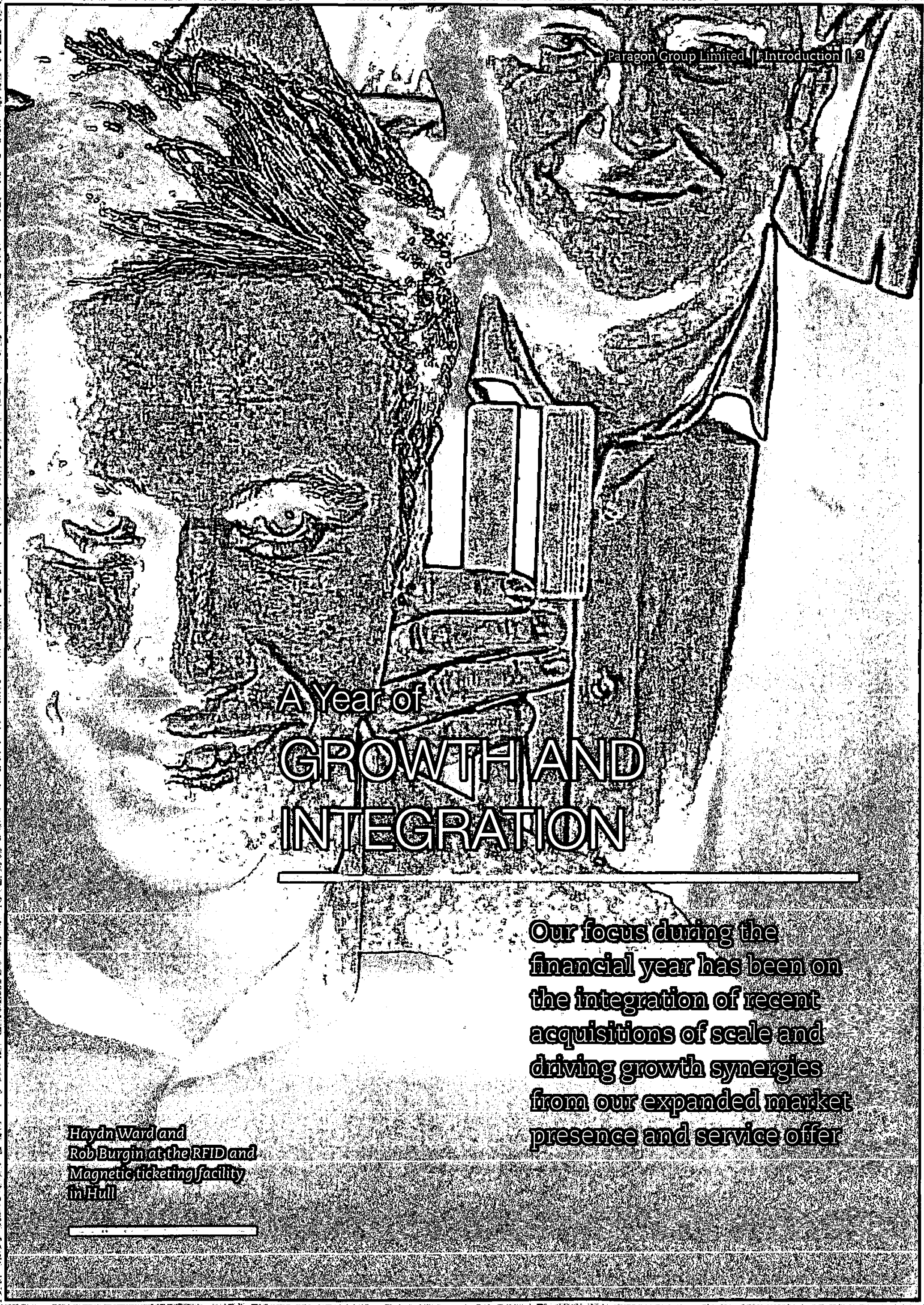
We have 50 Digital centres and 20 Logistic and production centres across Europe



We have our people onsite at more than
80 client locations,
serving their daily needs for inbound and outbound communications

We constantly invest in our people, bringing bright graduates into the business and developing existing talent

Our two divisions are supported by a strong, internationally experienced Group leadership team which drives acquisition strategy and ensures that the Paragon values of hard work and entrepreneurship run through the business, driving our continued growth and success



A Year of GROWTH AND INTEGRATION

Our focus during the financial year has been on the integration of recent acquisitions of scale and driving growth synergies from our expanded market presence and service offer

Haydn Ward and Rob Burgin at the RFID and Magnetic ticketing facility in Hull

Highlights of the Year

- The Group achieved another year of outstanding growth
- We reached the milestone of €400m turnover
- During 2016 we celebrated the 100 year anniversary of Paragon in France
- We maintained good profitability levels while integrating significant acquisitions which changed the profile of the Group
- We demonstrated continuous strong financial and operational discipline

Group Revenue

€400m

Underlying EBITDA*

€24m

Sales growth

27%

Underlying EBITDA growth

58%

Free Cash Flow**

€18m

Net Debt Multiple***

1.7x

* EBITDA excluding exceptional items (page 34)

** Cash generated from operations as per Consolidated Statement of Cashflows

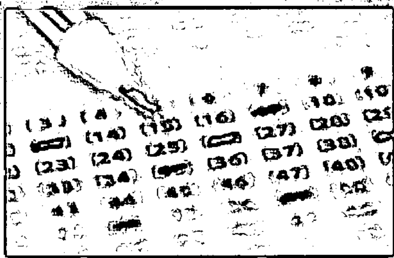
*** Calculated as Net Debt (page 39) divided by Underlying EBITDA

OUR BUSINESS

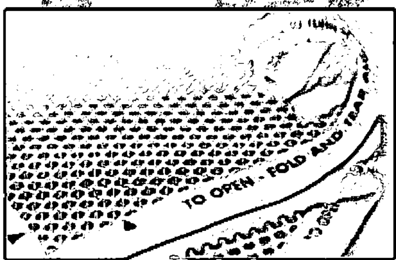
Our Divisions

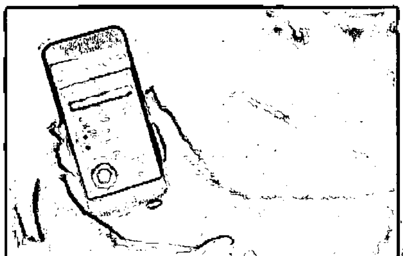
Document and Marketing Solutions

Our customers for document and marketing solutions are facing the challenges of a constantly changing landscape in customer communications: the transition from physical to digital, greater levels of personalisation and individualisation, new channels and technologies. At Paragon we help our clients to meet these challenges and deliver high quality services to their customers, by understanding and reengineering their business processes.



We transform physical mailrooms and processes to digital, manual processes to automatic, offline services to online. This division has evolved from our technical print business with more than 120 years of heritage, and we are proud to still produce directly for our clients from over 100 facilities in 12 countries. The majority of our production is now digital print, close to market need, and this is backed up by inbound BPO centres, major production hubs, near shore production in Eastern Europe, and a supply chain network of external suppliers.



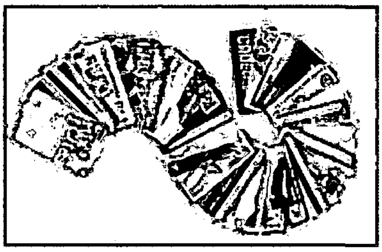


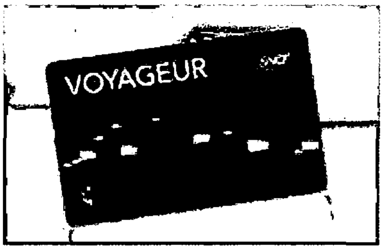
Identification and Traceability Solutions

Our principal technology for this division is contactless Radio Frequency, Identification (RFID) and Near Field Communication (NFC) for cards, tickets, labels and tags. We have invested heavily in this technology for several years to ensure we can always offer our clients the latest solutions available.

Paragon companies have been producing mass transit tickets for more than 100 years. We have seen and pioneered many evolutions over this period, from paper tickets to magnetic stripe and now smartcards and NFC apps. Paragon is the leading producer of magnetic ticketing for mass transit and car parking globally. Our RFID solutions business is growing rapidly both in existing and new sectors, and we are working with our existing clients to move to our RFID solutions. Similar technology is used for ski passes, cinema passes, and a variety of other uses.

Traceability refers to the tracking and tracing of products right through the value chain from components in the manufacturing supply chain through to retail tags used to optimise stocking, check-out and anti-theft processes. We have seen significant growth in traceability requirements for items with a high intrinsic or actual value such as passports, watches, fine wine, or blood samples.





Key Group Figures

40+

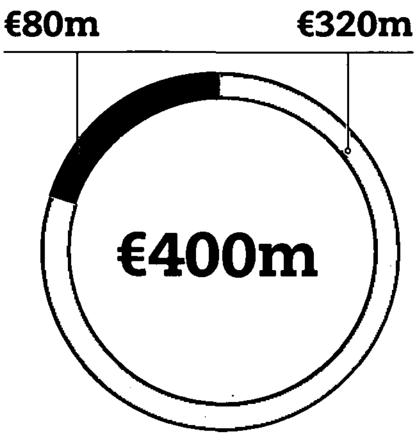
sales in more than **40** countries

3500+

more than **3500** employees

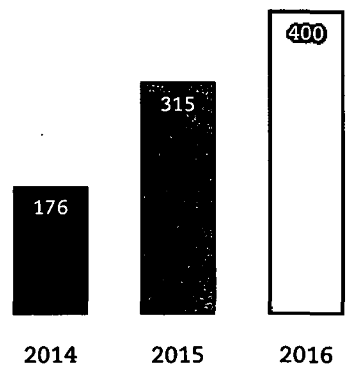
Sales by Division

○ Document & Marketing
● Identification & Traceability



Sales Development

€ millions



European Network – Global Reach

IRELAND

- Corporate Support Office
- Finance and Operations
- Marketing leadership
- Software development

UK

- 30 locations including retail network
- RFID and magnetic ticket production
- Application Software development centre

FRANCE

- 7 locations for production, logistics, supply chain
- RFID and magnetic ticket production
- Software development centre

SPAIN

- 2 locations with specialism in on-demand publishing and retail

BENELUX

- 5 Paragon centres providing client BPO services

GERMANY

- Our largest single facility, in Schwandorf, producing personalised direct marketing in small and large volumes
- Inbound scanning and processing centre in Dettingen near Stuttgart
- Software development centre

EASTERN EUROPE

- 5 sophisticated production facilities in the Czech Republic and Poland (providing direct marketing and fulfilment) and in Romania where we have production for RFID, digital print and fulfilment.

SCANDINAVIA

- 20 locations including retail network

REST OF WORLD

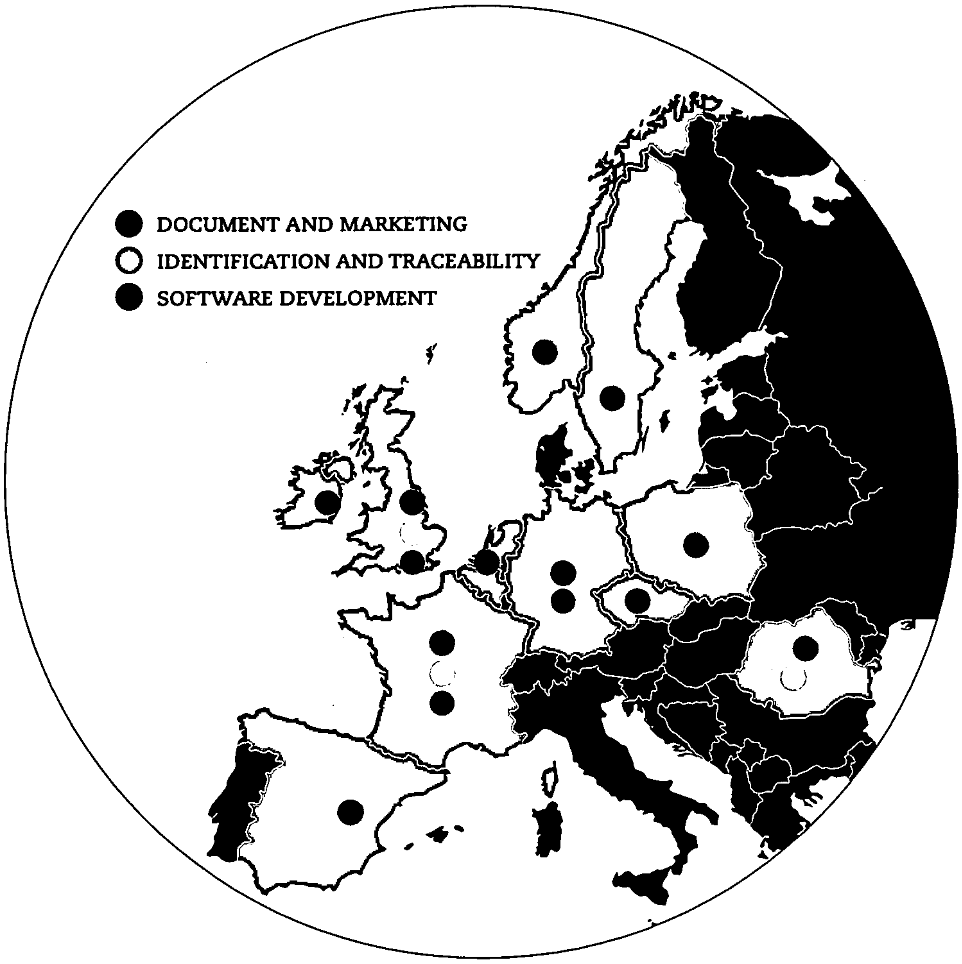
- Sales offices in USA and Australia

We have an integrated European network. Local sales and solution delivery are backed up by specialised software development centres and by manufacturing and fulfilment hubs in Central and Eastern Europe

Our strategy is to have digital print production in each market for the highest level of responsiveness and agility. The production of RFID and NFC products for Identification and Traceability is centralised to a smaller number of locations, due to the highly technical production processes requiring specific levels of capital investment and security.

Our principal software development centre is in Dublin with additional application development taking place in the UK, Germany and France.

Our global reach is supported by offices on the east and west coasts of the USA and Sydney in Australia for servicing the Americas and Asia-Pacific markets.



CEO STATEMENT

Patrick Crean
Chief Executive Officer

Paragon Group has more than doubled in size in the past 3 years and grown in 2016 by 27%. We have achieved this through a combination of acquisition and organic growth, and it has been made possible by the hard work and endeavour of our people.

A significant part of our focus this year has been on the integration of acquisitions, most notably the integration of the two largest acquisitions in the recent history of the Group – companies from the Service Point group in 2014 and MeillerGHP in 2015 – which together added €200m to annual Group turnover and significantly expanded our geographic reach. These major acquisitions brought valuable long-standing client relationships and we are working hard to develop these relationships further and bring the breadth of Paragon services to these clients.

We continue to pursue acquisitions in target segments and geographies as we drive the Paragon growth strategy. We are already seeing significant synergies and organic opportunities across the Group as a result of our growth and acquisitions – both in increased sales to new and existing customers, and in cost reduction as a result of Group strategic sourcing.

Acquisition activity in 2016 was on a smaller scale than 2015, bringing in businesses which added strategic value to the Group, through acquired technological know-how and market consolidation, particularly in the Identification and Traceability division.

A year of Growth and Integration

Paragon continually re-invests profits in the business: in research & development, capital expenditure, and in our people. During the past financial year we invested in leading edge technology, with a major upgrade of our RFID inlay capability at our principal RFID facility in Argent-sur-Sauldre in France; we upgraded our high speed inkjet personalisation for direct marketing to the latest technology at Schwandorf in Germany; and we conducted a complete overhaul of the installed base of digital printing in the UK and Norwegian networks.

27%
top line growth

We also strengthened our management team. I am delighted to welcome Seán Shine to the Group and the Executive Team. As Chief Operating Officer, Seán will play a key role in driving our growth and profitability. Seán brings a wealth of international management experience from his previous senior roles. Nelson Loane, a long time advisor and mentor has also joined our board as non executive director, bringing a deep knowledge and breadth of senior management experience. These two appointments strengthen our corporate governance and reinforce our determination to drive both our operational performance and our strategic direction.

We are in a strong position, having again posted a strong top line growth, while increasing the level of underlying profitability and reducing our debt to less than 1.7x Underlying EBITDA. With a strengthened senior management team and with positive results and environment across the Group, we face the future with great confidence and enthusiasm.

CFO STATEMENT

Laurent T Salmon
Chief Financial Officer

€400 million
revenue milestone reached

Group sales have increased for 2016, reaching €400 million, ahead of prior year by 27% (2015: €315 million). This continues our unbroken ten year cycle of significant growth.

The Group underlying EBITDA has also increased by over €8.9 million, a 58% increase for 2016. Our consolidated underlying EBITDA reached €24.3 million (2015: €15.4 million). The Underlying EBITDA of the Group for the year is well ahead of the prior year, thanks to our excellent operating performance.

The underlying EBIT of the Group has increased to €12.1m (2015: €4.7 million), a 157% increase year-on-year.

The profit after tax for 2016 is again strong at €6.7 million (2015: €7.0 million) despite taking additional depreciation and amortisation charges of €1.5 million and having spent €3.9 million in industrial remapping and consolidation in 2016 on the acquired businesses. These exceptional items are in contrast with the €(4.9) million net credit registered last year under IFRS (mainly due to recognising gains on bargain purchases), the effect of which is a total €9.1 million variance in exceptional items between 2015 and 2016. The tax credit for the year includes the release of tax provisions no longer required.

Robust financial and operational discipline

We continue to manage the Group with robust operational and financial discipline and to apply this approach as we acquire and integrate companies.

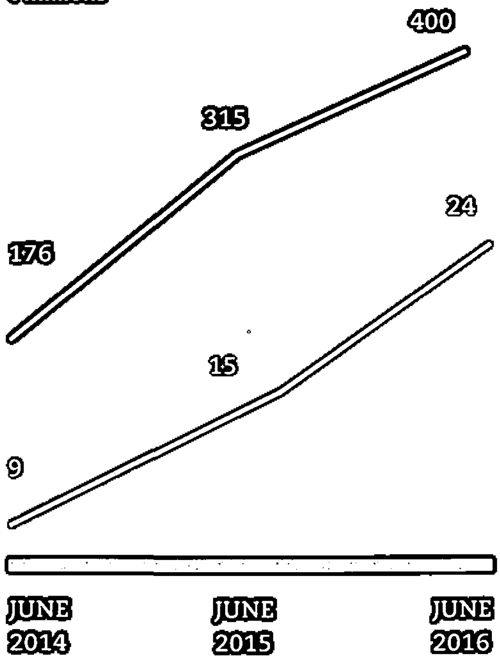
With €26.3 million cash available on our balance sheet (2015: €26.8 million), the Group's prospects for future trading and medium size acquisitions remains high, especially in light of the current economic climate which is favourable to further consolidation.

Group net debt has decreased by €(8.0) million from €48.3 million in 2015, down to €40.3 million in 2016. This debt reduction has mainly been driven by the positive impact of our excellent operating performance, the objective being achieved despite the cash spent on industrial remapping and consolidation of the recently acquired businesses and their integration in the Paragon group.

Our current level of debt leveraging on Underlying EBITDA is now below 1.7x

SALES Underlying EBITDA

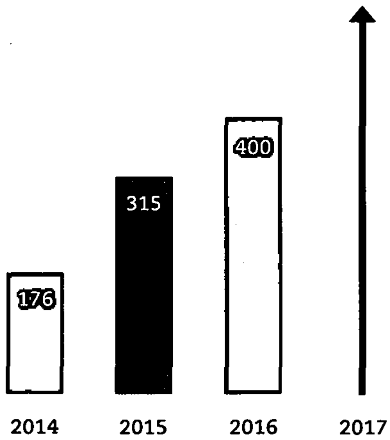
€ millions



The Underlying EBITDA of the Group is again well ahead of the prior year

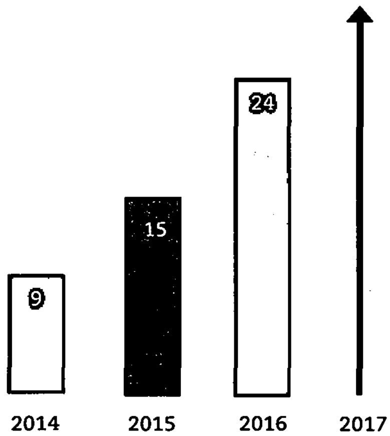
Sales

€ millions



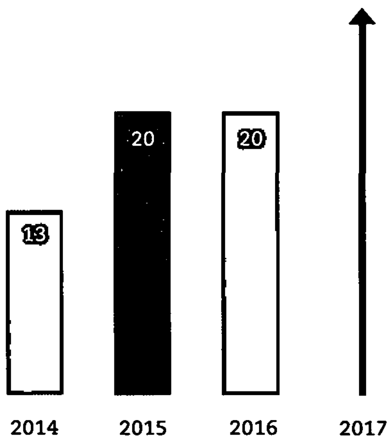
Underlying EBITDA

€ millions



Statutory EBITDA

€ millions



The Group underlying EBITDA has increased by 58% for 2016

€7 million

net profit after tax for 3rd consecutive year

Restated consolidated income statement (exceptional items segregated and reported in one line)

for the year ended 30 June 2016

	2016	2015	2014
	€000	€000	€000
SALES (pre exceptional credit)	**400,439**	**315,337**	**175,641**
Material costs	171,678	130,767	78,449
Payroll	136,798	112,525	56,909
Other operating costs	67,665	56,664	30,958
Operating costs (excluding exceptional items)	**376,141**	**299,956**	**166,316**
Underlying EBITDA (pre exceptional net charges/(credits)	**24,298**	**15,381**	**9,325**
Depreciation	12,225	10,686	4,773
Underlying EBIT (pre exceptional net charges/(credits))	**12,073**	**4,695**	**4,552**
Exceptional net charges/(credits)	4,165	(4,923)	(3,853)
Operating profit	**7,908**	**9,618**	**8,405**
(Gain)/loss on sale of fixed assets	(539)	126	(64)
Net finance costs	3,107	1,996	806
Dividend income	(10)	(14)	-
Income tax (credit)/charge	(1,397)	468	894
Profit for the year	**6,747**	**7,042**	**6,769**

The Group sees many opportunities for further growth by acquisition

Acquisitions

In August and September 2015 the Group acquired the trade and assets of Magnadata International Limited and the entire issued share capital of Magnadata USA Inc. This enhanced our market position within the Identification and Traceability Division.

In July 2015, the Group acquired certain industrial assets from technology company IER SAS, and integrated them within Paragon Identification SAS (France). This enabled the increase of our RFID manufacturing capability for embedding electronic chips on contactless cards. The 6 additional production lines have advanced the technological integration of the Paragon Group RFID processes and confirm our leadership in the sector.

The Group sees many opportunities for further growth by acquisition in the coming years. To enable such growth, the Group is seeking to put in place additional funding mechanisms in order to finance larger acquisitions in the future.

COO STATEMENT

We have grown significantly over the last three years through targeted acquisitions and integration of businesses

Seán Shine
Chief Operating Officer

Seán joined the business in July 2016 as COO, bringing a wealth of senior management experience to Paragon. A civil engineer and CIMA accountant, Seán spent 30 years at Accenture culminating in a role as Senior Managing Director for an international business unit.

Paragon Business Review

We help our clients transform their businesses by connecting with their customers both physically and digitally. We are a key part of our clients' infrastructure, providing services to our clients for business critical processes to manage and interact with their customers.

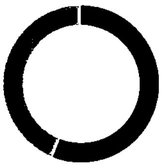
Historically, our roots are in the technical printing business. This business has changed significantly over the years and new technology is dramatically changing the fundamentals of the business. To meet these challenges, we help our clients add additional channels to interact with their customers – Paragon's key strength is managing through these changes and providing relevant solutions.

We have grown significantly over the last three years through targeted acquisitions and integration of businesses.

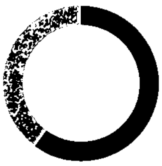
We have a clear focus on our sector of the market and a very strong track record of consistent growth and profitability delivered over the last ten years. We go to market through two primary sectors:

Document and Marketing
Working with our clients to communicate with their customers through the use of digital and physical media using print, and multiple electronic channels. We provide solutions, services and products for our clients throughout Europe – delivered onsite, offsite and online.

Identification and Traceability
We provide our clients with magnetic ticketing, Radio Frequency, Identification (RFID), Near Field Communication (NFC) and other technology based solutions to identify and track people and goods. Our products and services in this sector have a global sales reach.



Our top 200 customers account for 56% of our revenue



We provide around 65% of magnetic stripe tickets globally

Our products are used by millions of people each day even though they may not know who we are. For example we produce around 65% of magnetic stripe tickets globally; lottery tickets throughout the world; RFID garment tags; cinema tickets and smartcard ski passes, and technical and marketing printing for large scale companies. Paragon provides business critical products and services to our clients throughout the world.

We have reconfirmed our corporate strategy over the past year. Our vision is to be a leading provider in Europe in the Document and Marketing sector and to work with our clients as we create a digital future in this business. In Identification and Traceability, we aim to be a globally leading provider in targeted customer niches. We will continue to provide a mix of products and services and we see considerable growth potential in expanding our footprint in outsourced business services. Our ambition is to help our customers transform their businesses and to connect with their customers both physically and digitally.

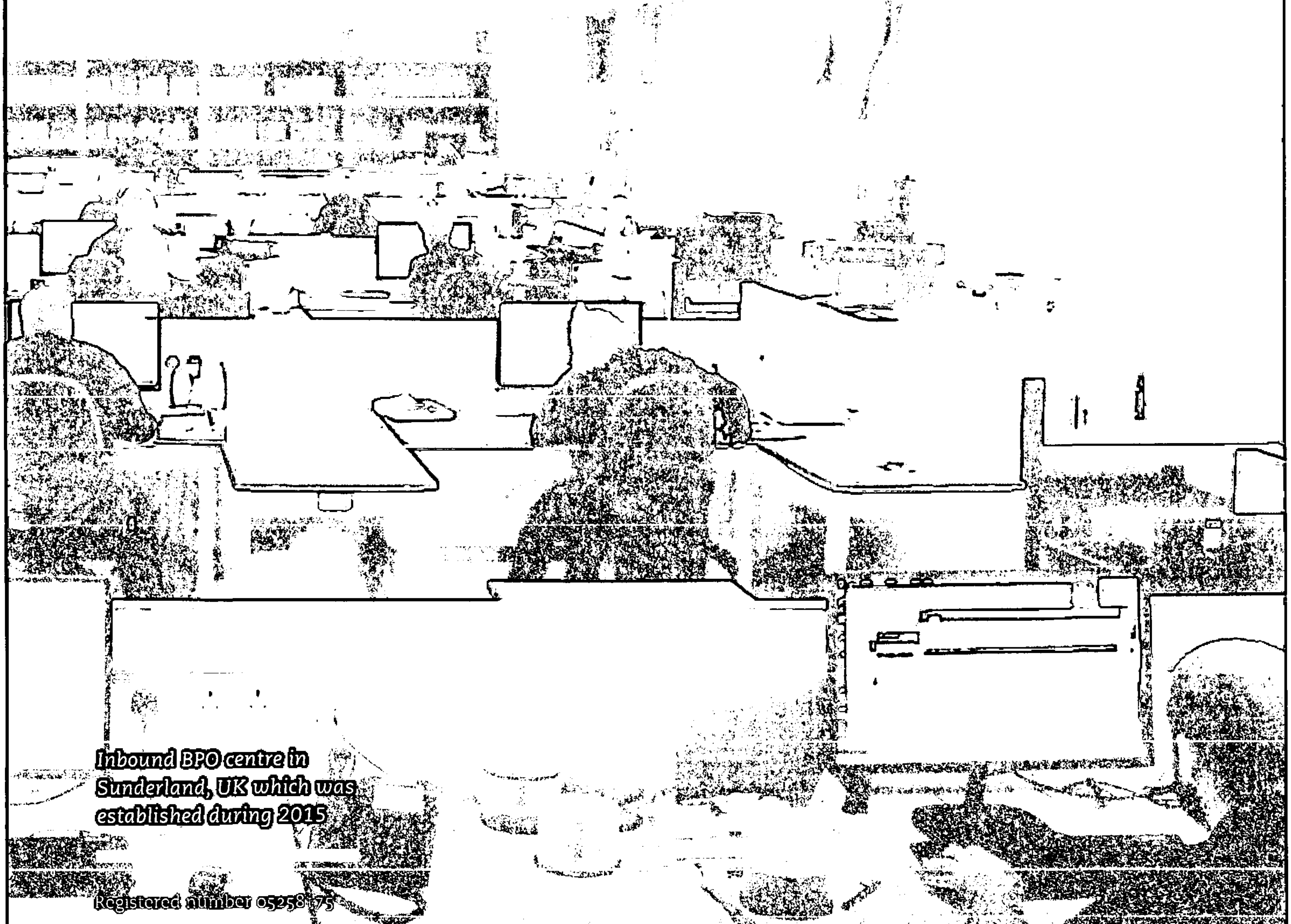
We are privileged to work with some of the world's leading companies. We have a strong spread across our customers – our top 200 customers account for 56% of our revenue and our largest customer is less than 3% of our revenue. Of particular note is the fact that the average duration of our relationship with our top 200 customers is over 14 years – we pride ourselves on delivering effective solutions for our clients and the longevity of our customer relationships confirms this.

The last three years has seen a significant increase in the percentage of services that we provide. We see this trend continuing and we are investing to have the right capabilities to continue our success here.

We have a strong technological underpinning to our business – from high tech card manufacturing in France, UK and Romania to extensive data and IT management capabilities throughout the Group. We have invested continuously in our Paragon e-Platform (PEP) and this provides flexible and extensible services for our clients. We are also continuously investing in our Digital print capability and we believe that we are the largest digital print provider in Europe today, a position enhanced by the connection between our PEP platform and digital production network. This ongoing investment in technology enables us to provide sophisticated services to our clients as we work with them to transform their customer contacts.

DOCUMENT and MARKETING

Our Document and Marketing division had a year of fantastic growth and development



Inbound BPO centre in Sunderland, UK which was established during 2015

OUR PEOPLE

Camilla Mørstad

Sales Manager

Camilla was appointed as National Sales Manager for Allkopi in Norway from September 1st 2016. Camilla came to Allkopi as a branch manager for one of our Oslo branches and from February 2016 she became responsible for 6 branches in the larger Oslo area. After success in this role she was given a position with national responsibility. With a background in consulting and project management, Camilla brings great expertise and people skills to the role.

Online

We focused on continued development of online services: our order volumes through online channels have jumped 29% driven by a number of activities:

Multipoint Marketing

Development of our Paragon e-Platform (PEP) technology continued at a rapid pace. New languages were added to the PEP platform to support Benelux, Scandinavia and Germany. Enthusiastic teams in each country are enjoying quick successes in rolling out the Paragon technology in their markets, with a focus on Paragon's Multipoint Marketing solution which provides unrivalled marketing execution support to franchise and multi-branch organisations.

Retail Networks

Extensive development of the PEP technology platform was also carried out specifically to support the retail operations we operate in the UK, Norway and Spain. The launch of these new services will take place this year and offers tremendous opportunity for growth

ProjectVault™

The specialist platform for project document management in the AEC (Architect, Engineering, Construction) sector launched a significant system upgrade, to very positive customer feedback. The system now supports multiple sub-contractors and pricing in addition to the secure distribution and version control that are its hallmarks.

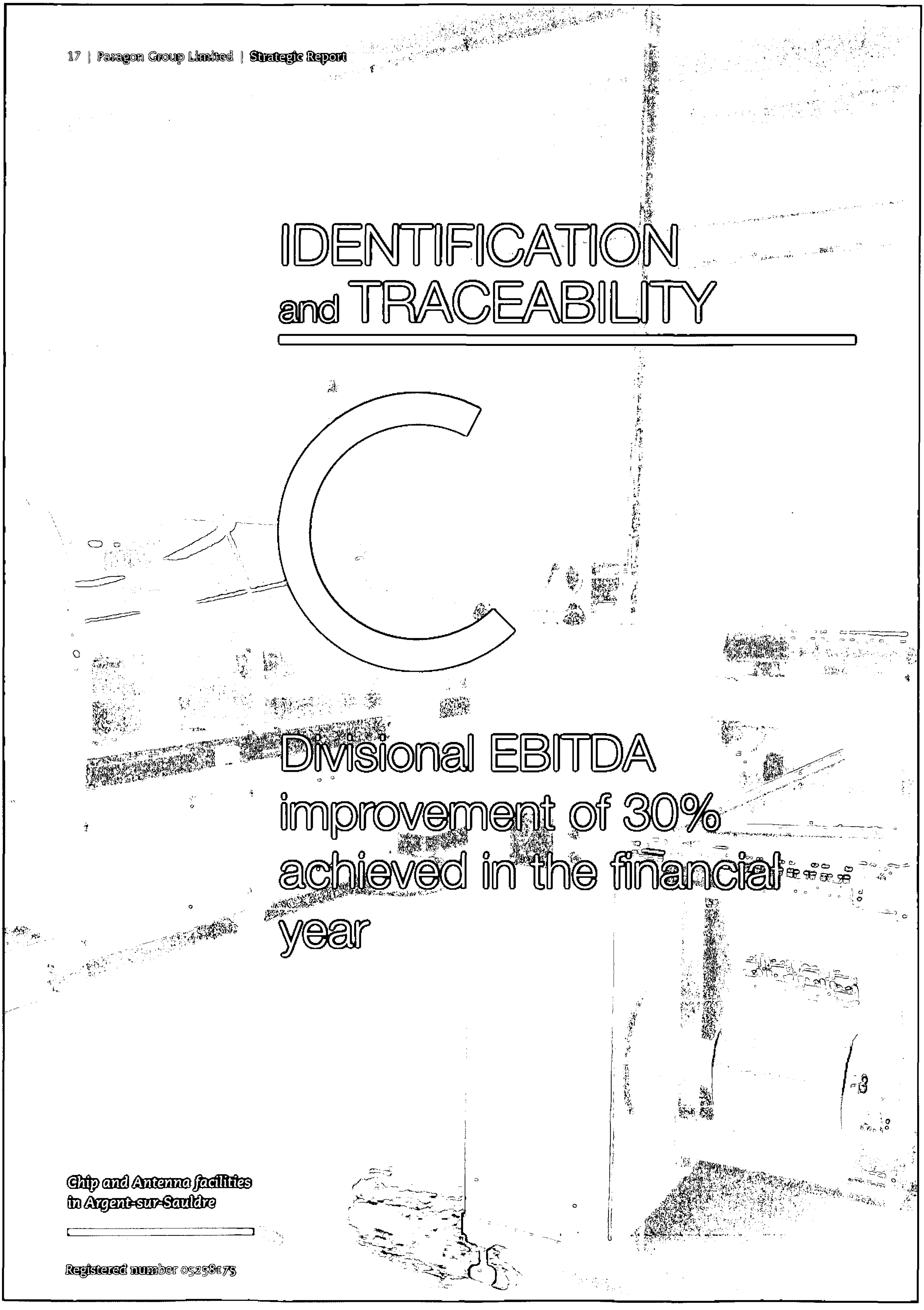
Inbound - Outbound

The Inbound and Outbound BPO offering was greatly strengthened, in France by the integration of the services from Sologne Routage in Blois, and in the UK by the development of the Sunderland inbound BPO centre and outbound personalisation for transactional mail products. With the Dettingen location in Germany and Alphen facility in the Benelux providing inbound services for their regions, the Group has significant expertise and coverage in this area which is a key strategic focus.

Direct Marketing

This was our first full year with MeillerGHP in the Group, adding to our existing Direct Marketing capabilities at Cosne-sur-Loire in France. We invested in latest personalisation technology for the Schwandorf facility, which now has the latest high speed inkjet heads for fully personalised direct mail in high volumes, as well as a suite of HP Indigo and associated equipment for higher value, low volume work such as welcome packs for automotive brands.

Paragon and MeillerGHP jointly exhibited at the Co-Reach Dialogue Marketing trade fair in Germany in June 2016, giving many of our excellent and loyal German customers a chance to see all that Paragon can offer.



IDENTIFICATION and TRACEABILITY

C

Divisional EBITDA improvement of 30% achieved in the financial year

Chip and Antenna facilities in Argent-sur-Sauldre

OUR PEOPLE

Haydn Ward

Research & Development Lead

Haydn Ward completed a Masters in Chemistry from Hull University in the summer of 2014, graduating with first class honours, and joined Paragon a day later.

Haydn initially worked on bringing the production of magnetic inks in-house: refining the technology initially, then playing a key role in the design and manufacture of the full-scale process. He is now working on exciting new products in the RFID field.

We undertook significant investment in antenna and chip connection

This year saw significant returns on the investments and acquisitions in this sector that we undertook in recent years. The strategic vision in the mid 2000's to invest in Radio Frequency Identification (RFID) solutions and IT services has delivered increasing benefits each year, with double digit revenue growth and EBITDA improvement of 30% being achieved in the financial year.

The company continues to be a leader in the mass transit and car park ticket sectors. This leadership is strengthened further by the ability to design and manufacture RFID and NFC enabled products. Key growth was achieved in the year in RFID applications for brand protection, asset tracking and retail marketing applications. There is enormous growth forecast for RFID applications in the coming years, from enabling simple connections to the internet to more complex applications. We are also in contact with security and military organisations to explore how our secure RFID solutions can assist in the current climate.

Our performance has also been positively boosted with the successful acquisition and integration of Magnadata, and this provides us with a strong platform from which to achieve future growth.

We undertook significant investment in antenna and chip capability at the Argent sur Sauldre site in France, with further investment already planned for the coming year. We have also increased capacity in Romania which serves as an additional production hub for RFID products across the Group, and in September 2016 we signed a lease on a substantial new plant in Romania which will facilitate further growth in the Identification Division.

Our unique ability to produce technical magnetic inks in house has led to further opportunities to become a supplier of these products for use within secure banking applications.

We continue to invest in the Identification and Traceability business. We have significant opportunities for growth in existing and new sectors. We also expect to acquire businesses in this sector to fuel our continuing growth.

Geographic REVIEW

The Paragon growth strategy envisages strong market share and local presence in our key target markets. This is especially relevant for our Document and Marketing division. Our Identification and Traceability business is truly global and serve clients throughout the world from our centres in France, UK and Romania.

FRANCE

In 2016 we have been celebrating 100 years of the Paragon name in France, culminating in customer and employee events in Paris and Cosne-sur-Loire during September. While celebrating the past, the theme was very much looking to the future: more than 200 customers who attended the Paris event listened to a round table discussion with our innovation partners and saw demonstrations from technology start-ups.

The Document and Marketing division in France goes from strength to strength, recording 6% organic growth and continuing rapid growth in delivering solutions to clients in contracts typically lasting three to five years. The company is firmly established as a partner for transformation, in a diverse range of solutions including electronic registered mail, technology driven marketing solutions and outsourced processes.

The team has been strengthened by ongoing recruitment of additional IT specialists, project managers and account managers, bringing additional capability across the range of solutions offered, including our logistics and Simplissimo offerings.

The Identification and Traceability division in France recorded very strong growth in sales and profitability. The investment in antenna and chip connection at Argent-sur-Sauldre proved extremely successful. 2016 also saw further diversification from the traditional strong base of mass transit into security, retail, medical and luxury goods markets for RFID applications. Double-digit growth in demand for these products has seen our French facilities operating at full capacity, and further capacity increases are planned for the coming year.

Quality Engineer Mathieu Maison in Argent-sur-Sauldre

UK

It was a year of enormous progress in the UK for Paragon across all our businesses. In the Document and Marketing business, Angus Campbell was appointed as General Manager and under his leadership the Paragon and Service Point businesses have been integrated and strengthened. Significant investment in digital print equipment right across the country - in both large and small format technology - as well as branch openings and refurbishments gave a fresh impetus to the business. Sunderland became the UK centre for inbound BPO as well as personalised outbound production. Several key appointments took place with a new IT Director, Marketing Manager and Procurement Manager brought into the business, and Judith Fox appointed as Business Services Director following her success at winning significant new contracts for the Print Management business based in Rotherham.

The Identification and Traceability division has secured a long term contract for the supply of all ticketing to all train operating companies in the UK.

Following the acquisition of Magnadata, the business consolidated its activity into two operating sites, with a centre for software development, smart ticketing and RFID products in Boston and all print manufacturing activity in Hull.

Export activity now forms a major part of the UK Identification and Traceability business, with long term contractual relationships with major cities in North America, Australia and South Africa. We remain the market leader in car park ticketing. We have a large share of the UK car park ticket market, contracted sole supply relationships with the UK's largest parking management companies and local authorities, and a growing export business, which will be a large contributor to the future profitability of the business.

UK General Manager Angus Campbell with some of his management team

GERMANY

During this financial year, the first full year of MeillerGHP within the Paragon Group, the focus has been on integration to the Group, re-activation of the customer base and the expansion of our offers to the German market.

We appointed Markus Schmid as General Manager; Markus returned to the business in Germany after some years abroad. He is highly experienced and respected, and brings renewed energy to the operations.

There was a strong focus on the digital production capabilities in Schwandorf. The suite of HP Indigo machines was given a new home and there was significant investment in high-speed inkjet heads for the direct mail finishing lines, greatly increasing the speed, quality and amount of full-colour personalisation on offer to our clients. A fully variable high speed reel-fed Kodak Prosper was ordered before year end and installed post balance sheet, opening up new possibilities for MeillerGHP and its clients.

The inbound operations at Dettingen benefited from a sales focus which saw contract renewals and extensions, while the solutions sales team made significant inroads in launching solutions based on Paragon's PEP platform to the market.

Across all operations, a comprehensive plan to manage costs and optimise operational efficiency, logistics and technology delivered significant benefits during the year.

CENTRAL AND EASTERN EUROPE

Our operations in Czech Republic, Poland and Romania provide specialised production and fulfilment capabilities for the rest of the Group in addition to serving local and international markets. These businesses form a key part of our production capability – allowing the Group to provide high quality services to the rest of the Group at the right quality and price point.

This strategy will continue to fuel our growth in the coming years.

Our Czech Republic operations support the direct marketing operations in Germany with additional finishing as well as its own product mix. The strong local economy provides significant opportunities also.

Our Polish operation had another very successful year, overcoming challenges from a weakness in the German travel sector to finish strongly compared to prior year.

Romania continues to perform robustly, exceeding budget with its major customers for fulfilment of SIM cards and experience gift boxes. Capacity for manufacture and finishing of RFID products has been increased in Romania with more investment scheduled for the coming year.

Hermann Plekat (Sales & Marketing Director), Markus Schmid (General Manager) and Bernd Wein (Operations Director) with new high speed fully variable press at MeillerGHP

BENELUX

We have realised cost and sales synergies in the Benelux region, both of which contributed to improved profitability in the year. Significant progress was made in establishing shared services and in integrating Finance, HR and IT, which are now fully operational.

In driving growth, technology sharing between Paragon Group and the former Service Point operations has been very successful; the Group's PEP technology platform is being successfully implemented in the region, while Benelux has been established as a centre of excellence for inbound services such as digital mailrooms. We are already seeing substantial growth with some significant client wins and renewals. We are also growing opportunities for these services in our major markets.

SCANDINAVIA

Our Scandinavian companies Allkopi and Holmbergs faced challenging economic environments, reflecting difficult trading conditions. This was particularly evident in Norway, where we have a significant exposure to the oil and gas sector and the continuing drop in oil prices has supressed demand.

We implemented rapid restructuring and rigorous cost control, including consolidation of locations. We also made senior appointments to strengthen the management team in both countries. Technology projects to introduce the PEP platform have been highly successful across the region, and further activities in this area are ongoing, principally the introduction of an online sales channel using the PEP platform to support the retail branch network.

SPAIN

Our Spanish subsidiary has made significant progress in strengthening sales. Several contracts with major new customers were signed during the year as a result of a highly focused approach to the market that leveraged the company's strengths in on-demand digital production, web to print, and print management.

During the year the Spanish company has continued to implement a programme of profit improvement through cost control and margin improvement.

Our Swedish company Holmbergs moved all operations to a state of the art facility

We Value

OUR PEOPLE

OUR PEOPLE

Janice Sheridan

Graduate Trainee

Janice joined in 2014 with a B.Sc. in Business and Management from Dublin Institute of Technology. Janice was supported by Paragon in attaining a digital marketing qualification, and she spent six months within the marketing department at the Corporate Support Office planning and creating the new Group website. Her first international rotation is in Bavaria, Germany where she is benefitting from the opportunity to improve language skills and work across key business functions.

Our greatest asset

Paragon is a fast changing and dynamic business, and we could not succeed without having great people who are excited about what they do. We constantly invest our resources in people training and career development.

We have a flat hierarchy where senior management are involved in the day to day operations. We encourage the free flow of information between all members of the Paragon community, within and across teams as well as taking innovation ideas which come from all levels of the organisation.

The Group is committed to involving its employees in the decisions that affect them. Regular meetings take place between local management and employees to allow a free flow of information and ideas. In addition, where practicable, the Group seeks to keep employees informed through regular meetings or newsletters. We would like to thank all employees for their contributions in the past year. We are confident that our employees are capable and motivated to ensure a successful future both for themselves and the Group.

Multi cultural

Paragon is an international company, now operating in 14 countries: with significant operations in 12 European countries and sales operations in the USA and Australia.

The members of the management team at Group each has broad international experience. Understanding and working with differing cultures as well as working within the Paragon corporate culture are factors contributing to our success; we work to foster international teams and cooperation across a range of disciplines.

Equal opportunities

We are committed to giving fully equal opportunities to all people regardless of gender, race, age, social background, or disability.

The Group gives full consideration to applications for employment from disabled persons where disabled persons can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and provide training, career development and promotion wherever appropriate.

We have launched a Graduate programme at Group level which is now being expanded

Graduate Programme

In the past two years we launched a graduate programme at Group level which is now being expanded. Graduates begin working at the corporate support office in Dublin before undertaking a rotation in one or more European countries. This programme is in addition to similar programmes for graduates and interns operated by individual companies within the Group.

Corporate & Social RESPONSIBILITY

OUR PEOPLE

Manish Shrivastava

Head of Online, Paragon Group

Manish is responsible for product development and engineering for our Online e-Platform PEP since 2011. Prior to joining Paragon, Manish has worked in Client management, Project management and technical positions at Dell and Tata Consultancy Services.

Manish holds MBA degree from UCD Michael Smurfit Business School, Dublin and engineering degree in Computer Science from MITS, Gwalior, India.

We pride ourselves in operating honestly, responsibly and ethically

CORPORATE & SOCIAL RESPONSIBILITY

We are keen to promote the success of the Group for the benefit of everyone including customers, employees, suppliers and other stakeholders associated with the organisation.

We pride ourselves in operating honestly, responsibly and ethically, both in the workplace and in the wider community. This means that the Group is a safe, pleasant, positive and successful place to work.

Such an environment makes sound commercial sense. We also recognise that managing and balancing environmental, social and economic issues is critical in ensuring the long term success of the Group.

Our model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy and educated workforce, sustainable resources and adept governance to compete effectively.

In the fast-paced and dynamic environment in which the Group operates, we work to and where appropriate obtain certification to a number of standards. We have a set of clearly defined best practice frameworks, management systems and requirements across the Group.

TECHNOLOGY DRIVEN

We invest in leading-edge technologies to offer best in class solutions to our customers. Much of the technology we use has been developed by Paragon, often integrating with best-in-class technology to perform specific functions. Our particular expertise is bringing together a range of technologies in one seamless solution for a client.

SOCIALLY RESPONSIBLE

We uphold high ethical standards in respect of the environment, our local communities, and other stakeholders in our business.

Our strong team spirit and passion for what we do is evident across the Group.

We conform to many environmental standards and work closely with the community leaders where our facilities our located.

BUILDING SUSTAINABLE RELATIONSHIPS

We work collaboratively with our clients and supply partners in long term sustainable partnerships.

We are proud to have customers of very long standing, some of our customer relationships span many decades.

Equally, we work with suppliers and channel partners in an open and collaborative way to foster long term and sustainable relationships of benefit to our customers and partners.

BUILDING A SUSTAINABLE BUSINESS

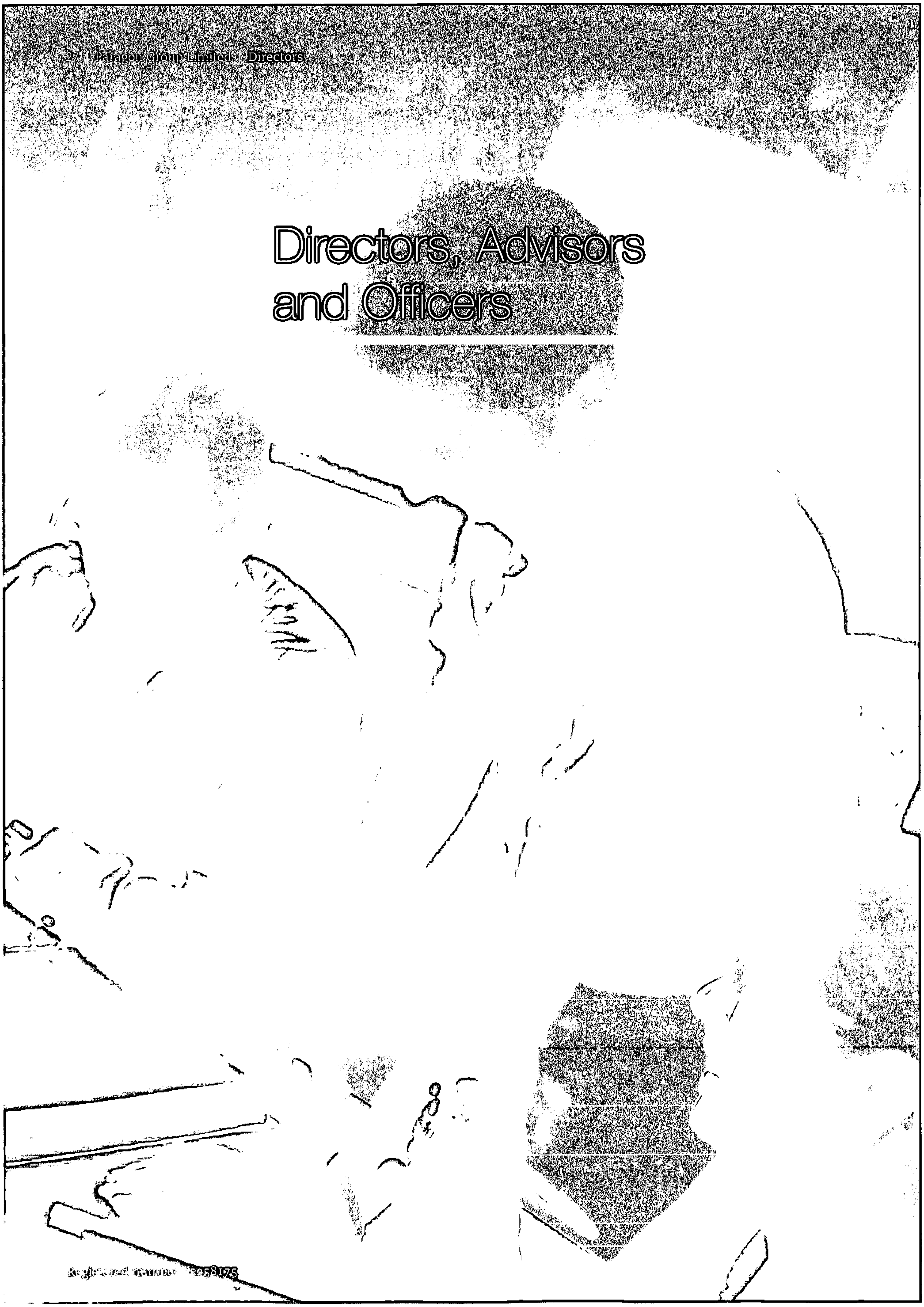
We have supported a diverse range of organisations with their document, print and information requirements for over a century - a fact that bears true testament to the sustained ability we provide for those seeking continuity.

Patrick J. Crean

Chief Executive Officer

21 October 2016

Responsibility is part of who we are



Directors, Advisors and Officers

DIRECTORS

Patrick J Crean

(Chief Executive Officer)

Laurent T Salmon

(Chief Financial Officer)

Nelson Loane

(Non-Executive Director)

OTHER OFFICERS

Seán Shine

(Chief Operating Officer)

COMPANY SECRETARY

Richard Cahill

AUDITORS

- **Ernst & Young LLP**
  Citygate, St James' Boulevard,
  Newcastle upon Tyne, NE1 4JD,
  United Kingdom

BANKERS AND ADVISORS

- **Barclays Bank plc**
  71 Grey Street, Newcastle upon Tyne,
  NA99 1JP, United Kingdom

- **CA-CIB**
  9 Quai du Président Paul Doumer,
  92400 Courbevoie, France

- **Le Credit Lyonnais (LCL)**
  Orleans SDC Centre, 7 Place du
  Martroi, 45000, Orleans, France

SOLICITORS

- **Cabinet Lipworth**
  18 Avenue Franklin Roosevelt, 75008,
  Paris, France

- **Gunnercooke LLP**
  1 Cornhill, London, EC3V 3ND,
  United Kingdom

- **Shakespeare Martineau**
  2 Colton Square, Leicester, LE1 1QH,
  United Kingdom

REGISTERED OFFICE

- Pallion Way, Pallion Trading Estate,
  Sunderland, Tyne and Wear, SR4 6ST,
  United Kingdom

Director's Report

The directors present their report for the year ended 30 June 2016.

Directors of the Company

The directors of the Company are listed on page 28.

Dividends

The directors are not recommending the payment of a dividend in respect of the financial year ended 30 June 2016 (2015: €2,934,000).

Future developments

The Group continues to evaluate new investment opportunities, acquisitions and product lines in order to enhance the scale and profitability of the Group.

Principal risks and uncertainties

The actions and measures that have been implemented in order to protect the Group against financial risks and uncertainties are developed in critical accounting judgements in Note 2 of the significant accounting policies and Note 24 of these financial statements.

Financial instruments

The Group finances its activities with a combination of bank loans, debtor finance, finance leases and cash.

Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group also enters into derivative transactions, principally including interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk.

Use of derivatives

The Group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The Group also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

Research and development

The Group carries out research and development both internally and through a number of international arrangements and collaborations.

Events since the balance sheet date

In the directors' opinion there were no post balance sheet events.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information through regular bulletins and newsletters has continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described above.

The Group has adequate financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. The Group enjoys an excellent relationship with, and is in regular dialogue with its bankers and finance providers. The facilities available are estimated to be adequate to meet the Group's needs. The directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 28. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

Patrick J. Crean

Director

21 October 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. In preparing the Group financial statements, the directors are required to:

- present fairly the financial position, financial performance and cashflows of the Group;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for preparing a Directors' Report in accordance with the Companies Act 2006. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Building a better working world

Independent auditors' report

to the members of Paragon Group Limited

We have audited the Group financial statements of Paragon Group Limited for the year ended 30 June 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow and the related Notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Building a better working world

Independent auditors' report (continued)

to the members of Paragon Group Limited

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 Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent Company financial statements of Paragon Group Limited for the year ended 30 June 2016.

Mark Hatton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
21 October 2016

Consolidated income statement

for the year ended 30 June 2016

	Notes	2016 €000	2015 €000
Revenue from sale of goods & services	3	**400,439**	**315,337**
Material costs		171,678	130,767
Payroll	5	140,489	117,964
Other operating costs		68,139	46,302
Operating costs		**380,306**	**295,033**
EBITDA		**20,133**	**20,304**
Depreciation and amortisation	4	12,225	10,686
EBIT		**7,908**	**9,618**
(Gain)/loss on assets disposal	4	(539)	126
Net finance costs	6	3,107	1,996
Dividend income		(10)	(14)
Profit on ordinary activities before tax	4	**5,350**	**7,510**
Income tax (credit)/charge	8	(1,397)	468
Profit for the year		**6,747**	**7,042**

Attributable to:			
Owners of the parent		6,575	6,906
Non-controlling interests		**172**	**136**
		6,747	**7,042**

Supplementary information

EBIT		7,908	9,618
Exceptional net losses/(gains)	7	4,165	(4,923)
Underlying EBIT		**12,073**	**4,695**
EBITDA		20,133	20,304
Exceptional net losses/(gains)	7	4,165	(4,923)
Underlying EBITDA		**24,298**	**15,381**

EBITDA is defined in Note 2(u) below.

Consolidated statement of comprehensive income

for the year ended 30 June 2016

	2016	2015
	€000	**€000**
Profit for the year	6,747	7,042
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) recognised on pension scheme (note 23)	339	(172)
Deferred tax arising thereon	(42)	(22)
Exchange differences on translation of foreign operations	(871)	336
Other comprehensive (loss)/income for the year	**(574)**	**142**
Total comprehensive income for the year	**6,173**	**7,184**
Attributable to:		
Owners of the parent	6,001	7,048
Non-controlling interests	172	136
	6,173	**7,184**

Consolidated balance sheet

for the year ended 30 June 2016

	Notes	2016 €000	2015 €000
Assets			
Non-current assets			
Property, plant and equipment	9	50,077	52,992
Goodwill	11	43,240	43,240
Financial investments		33	33
Other intangible assets	12	1,562	1,661
Retirement benefits surplus	23	961	877
Deferred tax asset	22	1,351	1,355
Other non-current assets	15	504	529
		97,728	**100,687**
Current assets			
Inventories	14	20,486	19,271
Held for sale	13	3,783	6,043
Trade and other receivables	15	65,852	73,434
Income tax receivable		3,488	1,516
Cash and cash equivalents	15	26,315	26,794
		119,924	**127,058**
Total assets		**217,652**	**227,745**
Liabilities			
Current liabilities			
Obligations under finance leases	19	2,955	3,598
Loans	18	23,947	24,946
Trade and other payables	17	93,013	91,189
Income tax payable		1,640	1,190
Deferred income	20	3,265	2,629
Provisions	21	1,535	7,380
		126,355	**130,932**
Non-current liabilities			
Loans	18	30,634	36,679
Obligations under finance leases	19	9,140	9,861
Provisions	21	2,835	3,000
Deferred consideration	17	858	994
Deferred income	20	465	575
Deferred tax liabilities	22	1,107	2,079
Retirement benefits deficit	23	40	330
		45,079	**53,518**
Total liabilities		**171,434**	**184,450**
Net assets		**46,218**	**43,295**
Equity			
Share capital	25	30,000	33,250
Capital redemption reserve		1,750	1,750
Cumulative translation reserves		(123)	748
Retained earnings		14,223	7,351
Non-controlling interests		368	196
Total equity		**46,218**	**43,295**

These financial statements were approved by the Board of Directors on 21 October 2016 and signed on its behalf by

Patrick J. Crean - Director

Laurent T. Salmon - Director

Registered number 05258175

Consolidated statement of changes in equity

for the year ended 30 June 2016

	Attributable to the equity holders of the parent						
	Share capital	Capital redemption reserves	Retained earnings	Cumulative translation reserves	Total	Non-controlling interest	Total Equity
	€000	€000	€000	€000	€000	€000	€000
Balance as at 30 June 2014	33,250	1,750	3,573	412	38,985	-	38,985
Profit for the year	-	-	6,906	-	6,906	136	7,042
Dividends declared and paid in the year	-	-	(2,934)	-	(2,934)	-	(2,934)
Other comprehensive income for the year	-	-	(194)	336	142	-	142
Non-controlling interests arising on acquisition	-	-	-	-	-	60	60
Balance at 30 June 2015	**33,250**	**1,750**	**7,351**	**748**	**43,099**	**196**	**43,295**

	Attributable to the equity holders of the parent						
	Share capital	Capital redemption reserves	Retained earnings	Cumulative translation reserves	Total	Non-controlling interest	Total Equity
	€000	€000	€000	€000	€000	€000	€000
Balance as at 30 June 2015	33,250	1,750	7,351	748	43,099	196	43,295
Profit for the year	-	-	6,575	-	6,575	172	6,747
Other comprehensive income for the year	-	-	297	(871)	(574)	-	(574)
Share capital reduction	(3,250)	-	-	-	(3,250)	-	(3,250)
Balance at 30 June 2016	**30,000**	**1,750**	**14,223**	**(123)**	**45,850**	**368**	**46,218**

Consolidated statement of cash flow

for the year ended 30 June 2016

	Notes	2016 €000	2015 €000
Profit from continuing activities before tax		**5,350**	**7,510**
Adjustments for:			
Depreciation of property, plant and equipment	9	11,162	9,904
Non-cash gains on acquisitions	7	(662)	(14,176)
Amortisation of intangible assets	12	1,095	533
Impairment of goodwill	11	-	281
(Gain)/loss on asset dispoals	4	(539)	126
Amortisation of government grants	20	(32)	(32)
Net finance costs	6	3,107	1,996
Operating cash inflows before movements in working capital		**19,481**	**6,142**
(Increase)/decrease in inventories		(1,562)	305
Decrease in receivables		2,751	2,497
Increase in payables		2,409	9,145
Increase in deferred income		729	994
Cash contributions to defined benefit pension schemes		(115)	(118)
(Decrease)/increase in other provisions		(5,912)	642
Cash generated from operations		**17,781**	**19,607**
Interest paid		(2,816)	(2,370)
Interest income		43	24
Income tax paid		(1,893)	(1,621)
Net cash generated by operating activities		**13,115**	**15,640**
Cash flows from investing activities			
Payments for property, plant and equipment	9	(8,626)	(8,027)
Proceeds from disposal of plant, equipment and other assets		689	800
Proceeds from disposal of assets held for sale		2,524	-
Payments for intangible assets	12	(917)	(514)
Net cash outflow on acquisition of subsidiaries		(565)	(3,327)
Net cash used in investing activities		**(6,895)**	**(11,068)**
Cash flows from financing activities			
Proceeds from new finance leases		3,363	3,250
Repayments of capital element of finance leases		(4,120)	(3,394)
Repayment of borrowings		(9,862)	(3,222)
Proceeds from borrowings		4,053	12,928
Net cash used/generated in financing		**(6,566)**	**9,562**
Net (decrease)/increase in cash and bank overdrafts		**(346)**	**14,134**

Consolidated statement of cash flow (continued)

for the year ended 30 June 2016

	2016	2015
	€000	€000
Cash net of bank overdrafts at the beginning of the year	20,194	6,033
Net (decrease)/ increase in cash and bank overdrafts	(346)	14,134
Effect of exchange rate changes on the balance of cash held in foreign currencies	(394)	27
Cash net of bank overdrafts at the end of the year	**19,454**	**20,194**

Analysis of net debt

	At 1 July 2015	Cash flow	Exchange difference	At 30 June 2016
	€000	€000	€000	€000
Cash and cash equivalents	26,794	(93)	(386)	26,315
Bank overdrafts	(6,600)	(253)	(8)	(6,861)
Cash net of bank overdrafts	**20,194**	**(346)**	**(394)**	**19,454**
Loans	(55,025)	5,809	1,496	(47,720)
Obligation under finance leases	(13,459)	757	607	(12,095)
Net debt	**(48,290)**	**6,220**	**1,709**	**(40,361)**

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates.

Notes to the consolidated financial statements

for the year ended 30 June 2016

1. General information

Paragon Group Limited ('the Company') is a company domiciled and incorporated in the United Kingdom. The consolidated financial statements of the Company for the twelve months ended 30 June 2016 comprise those of the Company and its subsidiaries (together referred to as 'the Group').

The registered office of the Company is Pallion Way, Pallion Trading Estate, Sunderland, Tyne and Wear, SR4 6ST.

The financial statements were authorised for issue by the directors on 21 October 2016.

The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 84 to 94.

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 30 June 2016:

- Annual Improvements to IFRSs 2011-2013 cycle.

The adoption of the above and interpretations and amendments did not have a significant impact on the parent company's financial statements.

The following new IFRSs and amendments are not yet EU endorsed:

- IFRS 15, "Revenue from Contracts with Customers" (effective for the Group's 2018 Consolidated Financial Statements).
- IFRS 9, "Financial Instruments" (effective for the Group's 2018 Consolidated Financial Statements).
- IFRS 16, "Leases" (effective for the Group's 2019 Consolidated Financial Statements).

The directors are reviewing the above standards to understand the impact on Group reporting. There are other amendments which have been considered but are not likely to have a significant impact on the Group's accounting policies.

The following are amendments to existing standards and interpretations that are effective for the Group's financial year 1 July 2016:

- Amendments to IAS 27: Equity method in Separate Financial Statements.
- Amendments to IAS 1: Disclosure Initiative.
- Annual improvements to IFRSs 2012 – 2014 Cycle.
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation.
- Amendments to IFRS 11: Accounting for acquisitions of interest in Joint Operations.
- Amendments to IAS 16 and IAS 41 Bearer Plants
- Amendments to IAS 19: Defined Benefit Plants: Employee Contributions.

2. Significant accounting policies

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS').

Basis of preparation

The going concern basis has been applied in these accounts. The consolidated financial statements are presented in Euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that certain financial instruments are stated at fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

In the process of applying the Group's accounting policies, management has made judgements as to the policies that have the most significant effect on the amounts recognised in the financial statements. The accounting estimates and assumptions that management considers to be its critical accounting estimations are detailed and explained in Paragraph (t) below. The accounting policies set out below have been applied to all periods presented.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) for each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Revenue recognition

Revenue

Revenue is measured at the fair value of consideration received or receivable and comprises amounts receivable for goods and services, net of trade discounts, up-front payments, VAT and other sales-related taxes.

Revenue for goods is recognised in the Consolidated Income Statement when the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the goods.

Revenue for service is recognised as services are delivered or in proportion to the level of services performed. Revenue for the level of services performed is recognised using the stage of completion method when the outcome can be measured reliably. The stage of completion is determined using relevant criteria including service performed as a percentage of total services or as proportion of costs incurred.

Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Significant accounting policies (continued)

(c) Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on investment.

Fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out below.

Other intangible assets – computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Balance Sheet at cost. These assets are amortised over their estimated useful lives, which is generally three years.

Other intangible assets – development expenditure

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Consolidated Income Statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives, which vary between three and five years, once the product or enhancement is available for use. Product research costs are written off as incurred.

(d) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administration purposes is stated in the Consolidated Balance Sheet at deemed cost less any accumulated depreciation and impairment losses.

Costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the Consolidated Income Statement during the period in which they are incurred.

Freehold land is not depreciated.

Depreciation is charged, other than on freehold land, so as to write off the cost or valuation of assets evenly over their estimated useful lives, as follows:

- Freehold buildings 10 to 40 years
- Plant and machinery 3 to 20 years
- Fixture, fittings and equipment 10 to 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

2. Significant accounting policies (continued)

(e) Impairment

The carrying amounts of the Group's intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at each balance sheet date.

An impairment charge is recognised in the Consolidated Income Statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

A reversal of an impairment loss is recognised as income immediately in the Consolidated Income Statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is valued on a first in, first out ('FIFO') basis. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in selling and distribution.

(g) Tax

The tax expense in the Consolidated Income Statement comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

2. Significant accounting policies (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Consolidated Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(h) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated. When a provision needs to be released, the provision is taken back to the Consolidated Income Statement within the line where it was initially booked.

Provisions for restructuring costs

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties.

(i) Foreign currencies

Transactions in foreign currencies other than Euro are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euro at the exchange rate ruling at that date.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at exchange rates ruling at the date the fair value was determined. Exchange gains and losses arising on the retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity.

2. Significant accounting policies (continued)

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Euro at the rates prevailing at the balance sheet date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising on retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the Consolidated Income Statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds receivable, net of direct issue costs. Finance charges are accounted for on an accruals basis to the Consolidated Income Statement using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

(k) Retirement benefits

The Group operates both defined benefits and defined contribution schemes for its employees. Payments to the defined contribution schemes are expensed to the Consolidated Income Statement as they fall due.

For the defined benefits pension scheme full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

The retirement benefits obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefits obligations and unrecognised past service costs, and as reduced by the fair value of the scheme's assets.

Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions to the scheme.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

2. Significant accounting policies (continued)

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental costs under operating leases are charged to the Consolidated Income Statement in equal amounts over the terms of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, the present value of the minimum lease payments; each determined at the inception of the lease. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

(m) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

2. Significant accounting policies (continued)

The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets, and is subsequently adjusted by their share of comprehensive income.

(n) Government grants

Amounts receivable from government grants are presented in the financial statements only when there is reasonable assurance that the Group fulfils the necessary conditions and that the grants will be received.

Government grants in relation to income are credited in the Consolidated Income Statement for the year.

Government grants in relation to property, plant and equipment are credited to deferred income and released to income on the same basis that the related asset is depreciated.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(p) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(q) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made. Bad debts are written off when identified.

(r) Trade and other payables

Trade and other payables are recognised and carried at original invoice amount.

(s) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

(t) Critical accounting judgements

In the course of applying the Group's accounting policies the following estimations have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

2. Significant accounting policies (continued)

Forecasts and discount rates

The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from the Group's operations which, in some circumstances, are discounted to arrive at a net present value. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Carrying value of property, plant and equipment

The carrying value of the Group's investment in property, plant and equipment represents a key area of management judgement. This includes assumptions in respect of the use of fair values as well as estimation in respect of useful lives and impairments.

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Retirement benefit obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net surplus in the Consolidated Balance Sheet for retirement benefits scheme is €921,000 (2015: €547,000).

Allowances against amounts receivable

The Group considers the recoverability of certain customer and other receivable balances. Determining whether an allowance against these balances is required involves an assessment of the ability of counterparties to make required payments. If the financial positions of the counterparties were to deteriorate, affecting their ability to make payments, additional allowances may be required in future periods. The Group maintains appropriate levels of credit insurance covering its larger non state backed trade debtors. A rigorous system of credit control is applied and amounts receivable are continually monitored. Management specifically monitors historical bad debt, counterparty creditworthiness, current economic trends and changes in payment patterns when evaluating the adequacy of the allowances in place.

Provisions

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account a range of possible outcomes.

Fair value on acquisitions

The carrying value of certain items of the Group's assets and liabilities are dependent on the fair values assigned to them when acquired. Judgement is used in assessing these fair values especially where open market valuations are not readily accessible.

2. Significant accounting policies (continued)

(u) EBITDA

This is operating profit before depreciation and amortisation. It also includes all restructuring and exceptional items and any gains/(losses) arising on or from acquisitions (including gains on bargain purchases). Underlying EBITDA is stated after adjusting for items which in the opinion of the directors are exceptional due to their nature, size or incidence. Exceptional items are further explained within Note 7 below.

(v) Non-controlling Interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

3. Revenue

An analysis of the Group's revenue from continuing operations as defined by International Accounting Standard 18 – 'Revenue' is as follows:

	2016	2015
	€000	€000
Continuing operations		
Sale of goods	172,386	162,119
Rendering of services	227,643	153,218
Rental income	410	-
Total revenue	**400,439**	**315,337**

4. Profit from operations

Profit for the year has been arrived at after charging/(crediting):

	2016	2015
	€000	€000
Auditors' remuneration:		
Audit fees:		
– Audit of the Group accounts	91	129
– Audit of the accounts of the Company's subsidiaries by the Group auditors	396	327
– Audit of the accounts of the Company's subsidiaries by others	188	122
Non audit fees to Group auditors:		
Accounting & taxation advice	92	235
(Gain)/loss on held for sale, plant, equipment and other assets	(539)	126
Foreign exchange gain	(290)	(599)
Staff costs (note 5)	140,489	117,964
Depreciation of property, plant and equipment (note 9)	11,162	9,904
Amortisation of intangible assets (note 12)	1,095	533
Goodwill not recognised on acquisition	-	281
Amortisation of government grants (note 20)	(32)	(32)
	12,225	**10,686**
Operating lease minimum rentals:		
– land and buildings	7,219	7,549
– plant and equipment	7,033	6,415
Operating lease contingent rentals plant and equipment	765	664
Rental income	(410)	-
Total lease and sublease payments	**14,607**	**14,628**

5. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2016	2015
	No.	No.
Production	3,025	2,217
Administration	857	642
	3,882	**2,859**

Their aggregate remuneration comprised:

	2016	2015
	€000	€000
Wages and salaries	109,287	88,177
Social security costs	29,446	28,327
Other pension costs	1,756	1,460
	140,489	**117,964**

Directors emoluments:

Directors emoluments:	2016	2015
	€000	€000
Remuneration	**693**	**686**
Company contributions paid to money purchase scheme	**-**	**56**

	2016	2015
	No.	No.
Members of money purchase pension schemes	**1**	**1**

The remuneration from the Company of the highest paid director in the amount of €423,000 (2015: €428,000) includes amounts paid to related parties of €336,000 (2015: €336,000). The contributions paid into money purchase pension schemes for the highest paid director were €nil (2015: €nil).

6. Net finance costs

	2016	2015
	€000	€000
Interest on bank deposits	12	23
Net interest income on pension scheme assets and liabilities (note 23)	17	24
Interest on loan to related party	31	143
Other interest income	77	181
Reduction of deferred consideration liability	605	-
Finance income	**742**	**371**
Bank loans and overdrafts	2,386	1,967
Finance charge on leased assets	444	378
Movement in fair value of forward exchange contract	168	-
Notional interest on long term receivable and deferred consideration	246	22
Increase in deferred consideration liability	605	-
Finance costs	**3,849**	**2,367**
Net finance costs	**3,107**	**1,996**

7. Exceptional items impacting EBITDA

Exceptional items are those which in the opinion of the Directors are exceptional due to their nature, size or incidence. Such items include the costs of restructuring parts of the Group's businesses, which involves redundancies of staff and assets.

Exceptional charges/(credits) that arose in the year are as follows:

	2016	2015
	€000	€000
Redundancy and restructuring costs (a)	4,703	5,439
(Gains)/losses related to prior year acquisition (b)	(446)	1,416
Acquisition related fees (c)	23	998
Costs arising from closure of factory site and held for sale	239	699
Other legal and professional costs (d)	265	581
Onerous rental charges (e)	874	-
Gain on acquisitions (f) (note 10)	(662)	(14,176)
Release of exceptional provisions no longer required (g)	(938)	-
Other	107	120
Exceptional net charge/(credit) impacting EBITDA	**4,165**	**(4,923)**

(a). Redundancy and restructuring costs arise from the closure of locations or the reduction of staff resources at various locations.

(b). This includes further receipts and the ongoing costs of restructuring and winding down a business in accordance with a Board approved restructuring plan which will take several years to fully implement.

(c). These represent legal and professional fees relating to acquisitions.

(d). These costs relate to the assistance the Group receives externally for the management of restructuring and integration programs, including tax and legal advisors.

(e). As part of an acquisition in the year the Group was required to enter into an obligation to pay rent and rates for a factory and office space which was surplus to operating requirement.

(f). Gains on acquisition arise on a bargain purchase as defined by IFRS 3.

(g). This represents the release of provisions that are no longer required. They had been treated as exceptional when made in prior years.

8. Income tax (credit)/charge

Income tax on the profit as shown in the Consolidated Income Statement is as follows:

	2016	2015
	€000	€000
Current tax charge at 20 % (2015 – 20.75%)		
Current period	929	1,143
In respect of prior periods	(951)	(18)
Total current tax (credit)/charge	**(22)**	**1,125**
Current period	897	(657)
In respect of prior periods	(2,272)	-
Total deferred tax credit (note 22)	**(1,375)**	**(657)**
Total income tax (credit)/charge	**(1,397)**	**468**

The charge can be reconciled to the profit before tax as shown in the Consolidated Income Statement as follows:

	2016	2015
	€000	€000
Profit before tax	**5,350**	**7,510**
Tax calculated at a rate of 20% (2015 – 20.75%)	1,070	1,558
Permanent differences	(313)	(2,425)
Effect of changes in tax rates	47	-
Effect of unused tax losses from current year	974	2,580
Effect of unused tax losses from prior year	(132)	(805)
Effect of different tax rates of subsidiaries	206	(422)
Foreign exchange differences	(26)	-
In respect of prior periods	(3,223)	(18)
Total income tax (credit)/charge	**(1,397)**	**468**

The amount in respect of prior periods includes the French tax impact of property valuations and the release of historic income tax provisions that are no longer required.

Income tax on the profit as shown in the Consolidated Statement of Comprehensive Income is as follows:

	2016	2015
	€000	€000
Deferred tax charge on origination and reversal of temporary differences (note 22)	**42**	**22**

In his summer budget of 8 July 2015, the Chancellor of the Exchequer proposed a decrease in the rate of the UK corporation taxation from 20% to 18%, falling by 1% in 2017 and a further 1% in 2020.
The impact of the reduction in the rates is not considered material.

9. Property, plant and equipment

	Land and buildings	Machinery and equipment	Fixtures and fittings	Total
	€000	€000	€000	€000
Cost or valuation:				
At 1 July 2014	28,803	101,491	4,315	134,609
Additions	483	7,302	242	8,027
Acquisitions	26,091	40,620	316	67,027
Disposals	-	(4,160)	-	(4,160)
Exchange movements	749	1,962	85	2,796
At 30 June 2015	**56,126**	**147,215**	**4,958**	**208,299**
Additions	405	7,553	668	8,626
Acquisitions	-	1,739	-	1,739
Disposals	-	(3,509)	(226)	(3,735)
Transfer to Intangibles assets	-	(248)	-	(248)
Exchange movements	(1,057)	(3,765)	(184)	(5,006)
At 30 June 2016	**55,474**	**148,985**	**5,216**	**209,675**
Accumulated depreciation and impairment:				
At 1 July 2014	18,505	85,072	3,308	106,885
Charge for the period	1,712	7,885	307	9,904
Acquisitions	8,797	30,787	211	39,795
Disposals	-	(3,234)	-	(3,234)
Exchange movements	399	1,469	89	1,957
At 30 June 2015	**29,413**	**121,979**	**3,915**	**155,307**
Charge for the period	1,845	8,993	324	11,162
Disposals	-	(3,099)	(226)	(3,325)
Transfer to Intangibles assets		(110)	-	(110)
Exchange movements	(714)	(2,539)	(183)	(3,436)
At 30 June 2016	**30,544**	**125,224**	**3,830**	**159,598**
Net book value:				
At 30 June 2016	**24,930**	**23,761**	**1,386**	**50,077**
At 1 July 2015	**26,713**	**25,236**	**1,043**	**52,992**

The Group has freehold land, included within land and buildings, with a book value of €4,582,000 (2015: €4,582,000), which has not been depreciated. The amount of fully depreciated machinery and equipment and fixtures and fittings is €94,107,000 (2015: €89,087,000).

The net book value of machinery and equipment above includes an amount of €9,003,000 (2015: €7,885,000) in respect of assets held under finance leases and hire purchase contracts.

The net book value of land and buildings above includes an amount of €1,482,000 (2015: €1,546,000) in respect of assets held under finance leases and hire purchase contracts.

10. Acquisitions

On 3 August 2015, the Group acquired the trade and certain assets of Magnadata International Limited (in administration) and certain assets of Norprint Limited (in administration) and on 10 September 2015, the Group acquired the entire share capital of Magnadata USA Inc.

The revenue contributed by this acquisition in the June 2016 Consolidated Statement of Comprehensive Income was €12,221,000 with an EBITDA of €2,100,000 arising for the same period.

In calculating the goodwill arising on these acquisitions, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. These adjustments are summarised in the following table.

	Fair value
	€000
Plant and equipment	1,739
Non-current assets	**1,739**
Inventories	515
Trade and other receivables	-
Current assets	**515**
Total assets	**2,254**
Trade and other payables	640
Deferred tax liabilities	228
Income tax liabilities	142
Total liabilities	**1,010**
Net assets/(liabilities)	**1,244**
Fair value of consideration	**582**
Gain on acquisition in year	**662**

The costs of acquisition were €23,000.

The fair value of plant and equipment was based on an external valuation prepared by specialists with the direct experience of the types of assets concerned.

This gain on acquistion arose as the trade and certain assets were acquired out of administration.

This is a strategic acquisition for the Group in the Identification and Traceability sectors.

The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €13,332,000 and EBITDA of €2,200,000.

The deferred consideration liability has been updated in respect of acquisitions that were made in prior years. The overall liability remains unchanged having recorded an increase of €605,000 and a decrease of €605,000 in deferred consideration on separate transactions.

11. Goodwill

Cost and carrying amount of goodwill	€000
At 1 July 2014	39,514
Acquisitions	3,726
At 30 June 2015	43,240
Acquisitions	-
At 30 June 2016	**43,240**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes.

In accordance with IAS 36 Impairment of Assets, the CGUs to which significant amounts of goodwill have been allocated are as follows:

	2016	2015
	€000	€000
Paragon CGU (PGL)	25,043	25,043
Service Point CGU (SP)	15,069	15,069
Others	3,128	3,128
	43,240	**43,240**

The Paragon (PGL) goodwill arose on the acquisition of the original Paragon business. The Service Point goodwill arose on Paragon's subsequent acquisition of Service Point Group, its subsidiaries and the trades, certain assets and companies that had previously been part of the Service Point Group of companies. The remaining goodwill balance of €3,128,000 is spread over the additional CGUs (2015: €3,128,000), and are not individually significant.

For the purpose of impairment testing, the discount rates applied to these CGUs to which significant amounts of goodwill have been allocated were 12.4% (2015: 12.8%) for the Paragon CGU and 12.7% (2015: 12.7%) for the Service Point CGU. The long term growth rate assumed was 0.9% (2015: 0.9%) for the Paragon CGU and 0.9% (2015: 0.9%) for the Service Point CGU.

11. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of a CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The Group reviews the carrying value of each CGU at least annually or more frequently if there is an indication that the CGU may be impaired.

The recoverable amount of each CGU is based on a value in use computation. The cash flow forecasts employed for this computation are extracted from budgets that have been formally approved by the Board of Directors and specifically excludes future acquisition activity. Cash flows for a further period are based on the assumptions underlying the budgets. The weighted average long term growth rate used in the impairment testing are noted above.

A present value of the future cash flows is calculated using a before-tax discount rate representing the Group's estimated before tax weighted average cost of capital, adjusted to reflect risks associated with each CGU. The range of discount rates applied ranged from 12.4% to 12.7% (2015: 12.7% to 12.8%).

Key assumptions include management's estimates of future profitability, working capital investment and capital expenditure requirements. Cash flow forecasts and key assumptions are generally determined based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business. The prior year assumptions were prepared on the same basis.

The key assumptions used in the value-in-use calculations and the sensitivities to the key revenue growth and pre-tax discount rate assumptions are detailed below.

	PGL	SP
Value-in-use assumptions:		
Pre-tax discount rate – range	12.40%	12.70%
Pre-tax discount rate – weighted average	12.40%	12.70%
Terminal growth used in terminal value calculation	0.90%	0.90%
Average annual revenue growth used in two year forecast calculation	0.90%	0.90%
Excess of value-in-use over carrying value (€000)	€28,600	€31,700

	PGL	SP
Sensitivity of value-in-use to changes in key growth assumption:		
Decrease in annual revenue growth in two year forecast calculation resulting in potential impairment	39.00%	58.00%
Increase to pre-tax discount rate resulting in potential impairment	23.40%	35.10%

Management believes that any reasonable change in any of the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount.

12. Other intangible assets

	Development Expenditure	Software	Total
	€000	€000	€000
Cost:			
At 1 July 2014	903	3,307	4,210
Acquisitions	-	335	335
Additions	-	514	514
Exchange movement	-	(7)	(7)
At 30 June 2015	**903**	**4,149**	**5,052**
Additions	-	917	917
Transferred from property, plant & equipment	-	248	248
Exchange movement	-	(59)	(59)
At 30 June 2016	**903**	**5,255**	**6,158**
Accumulated amortisation:			
At 1 July 2014	903	1,955	2,858
Charge for the period	-	533	533
At 30 June 2015	**903**	**2,488**	**3,391**
Transferred from property, plant & equipment	-	110	110
Charge for the period	-	1,095	1,095
At 30 June 2016	**903**	**3,693**	**4,596**
Net book value:			
At 30 June 2016	-	**1,562**	**1,562**
At 1 July 2015	-	**1,661**	**1,661**

13. Held for sale

	2016	2015
	€000	€000
Properties	**3,783**	**6,043**

Two properties, Collegien in France and Kozojedy in Czech Republic are held for sale. Both are the subject of active marketing campaigns using external agents.

During the year, a property held for sale in Castleford, UK was disposed of at a profit.

14. Inventories

	2016	2015
	€000	€000
Raw materials and consumables	10,112	8,992
Work in progress	1,653	1,740
Finished goods and goods for resale	8,721	8,539
	20,486	**19,271**

There was no write-down of inventories in either period.

15. Other financial assets

Trade and other receivables	2016	2015
	€000	€000
Amounts receivable for the sale of goods and services	59,630	64,497
Allowance for doubtful debts	(1,944)	(2,069)
Trade receivables	57,686	62,428
Other receivables	3,648	3,360
Amount due from related party	106	2,889
Financial instruments (note 16)	-	168
Prepayments and other assets	4,412	4,589
	65,852	**73,434**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Other non-current assets	2016	2015
	€000	€000
Other receivables (see below)	504	529
	504	**529**

The Group's French operations have an obligation to make contributions to a French state fund on an annual basis. There are various accounting treatments available to contributors to the fund. One of these is to be refunded by the French state, on an interest free basis, after a period of twenty years. The amount noted above is the fair value of the amounts receivable

Cash and cash equivalents	2016	2015
	€000	€000
Cash and cash equivalents	**26,315**	**26,794**

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

16. Financial instruments

Financial assets/(liabilities)	2016	2015
	€000	€000
Fair value of forward exchange contract	-	168

17. Trade and other payables

	2016	2015
	€000	€000
Trade payables	54,053	51,742
Other taxes, social security and employee related liabilities	17,795	18,695
Other payables	4,563	3,254
Accruals for goods and services	15,439	16,197
Deferred consideration	1,163	1,301
	93,013	**91,189**

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

The deferred consideration is payable as follows:

	2016	2015
	€000	€000
Within one year	1,163	1,301
Beyond one year	858	994
	2,021	**2,295**

18. Loans

	2016	2015
	€000	€000
Bank loans	47,720	55,025
Overdrafts	6,861	6,600
	54,581	**61,625**

The borrowings are repayable as follows:	2016	2015
	€000	€000
Within one year	23,947	24,946
Between two and five years	29,942	33,340
Beyond five years	692	3,339
	54,581	**61,625**

18. Loans (continued)

Bank loans

The bank loans and other borrowings comprise both fixed terms and other credit facilities. €6,810,000 are secured on land and buildings in the form of a commercial mortgage. €28,434,000 is secured on trade debtors and are subject to terms and conditions as to the nature, quantum and age of such debtors. €2,467,000 is secured on equipment.

Amounts falling due after more than one year include a variable facility of €17,480,000 (2015: €18,936,000) secured over debtors.

- €17,338,000 (2015: €18,250,000) of this facility is held in France and is renewed on an annual basis on 1 August.
- €142,000 (2015: €686,000) of this facility is held in the UK and was renewed on 1 August.

The main Group borrowings during the year were denominated in Euros at a rate of 0.85% above EURIBOR and in Sterling at a rate 1.75% above LIBOR.

The directors consider that the carrying amount of the loans approximates their fair value.

19. Obligations under leases

The Group uses finance lease contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lease.

Finance leases

	Minimum lease payments	Present value of minimum lease payments 2016	Minimum lease payments	Present value of minimum lease payments 2015
	2016		2015	
	€000	€000	€000	€000
Amounts payable under finance leases:				
Within one year	3,510	2,955	3,986	3,598
Between two to five years	9,118	8,679	9,988	9,066
In more than five years	484	461	875	795
	13,112	**12,095**	**14,849**	**13,459**
Less finance charges	(1,017)		(1,390)	
Present value of lease obligations	**12,095**		**13,459**	
Current	2,955		3,598	
Non-current	9,140		9,861	
	12,095		**13,459**	

20. Deferred income

	2016	2015
	€000	€000
Advanced billings and other deferred income	3,265	2,629
Government grants	465	575
	3,730	**3,204**
Current	3,265	2,629
Non-current	465	575
	3,730	**3,204**

Government grants	2016	2015
	€000	€000
At 1 July	575	540
Released in the year	(32)	(32)
Exchange movements	(78)	67
At 30 June 2016	**465**	**575**

21. Provisions

	Retirement	Restructuring	Other	Total
	€000	€000	€000	€000
Balance at 1 July 2014	2,615	1,746	1,748	6,109
Acquisitions	276	1,122	1,933	3,331
Fair value adjustments on acquisitions	-	-	250	250
Utilised during the period	(315)	(2,073)	(1,468)	(3,856)
Exchange movements	-	8	40	48
Charge/(credit) during the period	222	3,502	774	4,498
Balance at 30 June 2015	**2,798**	**4,305**	**3,277**	**10,380**
Utilised during the period	(198)	(3,647)	(1,971)	(5,816)
Exchange movements	(53)	(35)	(10)	(98)
Charge/(credit) during the period	192	376	(664)	(96)
Balance as at 30 June 2016	**2,739**	**999**	**632**	**4,370**
Current	429	640	466	1,535
Non-current	2,310	359	166	2,835
Balance as at 30 June 2016	**2,739**	**999**	**632**	**4,370**

21. Provisions (continued)

Retirement provisions

Certain European countries in which the Group operates oblige the employer to provide lump sum termination payments. The provisions have been calculated with reference to specified individuals who are entitled to this arrangement.

Restructuring provisions

This provision includes redundancy and related charges incurred on the closure or restructuring of Group operations.

Other provisions

These provisions relate to both onerous commitments under customer contracts and property dilapidations.

22. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 18% (2015 – 20%).

The analysis of deferred tax assets/(liabilities) is as follows:

	2016	**2015**
	€000	**€000**
Deferred tax assets	1,351	1,355
Deferred tax liabilities	**(1,107)**	**(2,079)**
Net deferred tax assets/(liabilities)	**244**	**(724)**

	2016	**2015**
	€000	**€000**
(Liabilities) at the beginning of the period	(724)	(970)
Credit to the Consolidated Income Statement (note 8)	1,375	657
Charge to the Consolidated Statement of Comprehensive Income (note 8)	(42)	(22)
Acquisitions (note 10)	(228)	(432)
Exchange rate differences	(137)	43
Asset/(liabilities) at the end of the period	**244**	**(724)**

22. Deferred tax (continued)

The individual movement in the deferred tax asset/(liability) is as follows:

	Property, Plant & Equipment	Tax Losses	Other Temporary Differences	Total
	€000	€000	€000	€000
Balance at 1 July 2014	(3,588)	1,004	1,614	(970)
Credit to the Consolidated Income Statement	1,329	(269)	(403)	657
Charge to the Consolidated Statement of Comprehensive Income	-	-	(22)	(22)
Acquisitions				
	(2,601)	378	1,791	(432)
Items taken direct to equity	-	-	43	43
Balance at 30 June 2015	**(4,860)**	**1,113**	**3,023**	**(724)**
Credit to the Consolidated Income Statement	1,140	549	(314)	1,375
Charge to the Consolidated Statement of Comprehensive Income	-	-	(42)	(42)
Acquisitions	(228)	-	-	(228)
Items taken direct to equity	-	(122)	(15)	(137)
Balance at 30 June 2016	**(3,948)**	**1,540**	**2,652**	**244**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Unrecognised deferred tax on deductible temporary differences and unused tax losses are as follows:

	2016	2015
	€000	€000
Deferred tax in respect of trading losses	143,107	143,000
Deferred tax in respect of capital losses	-	163
Deferred tax in respect of deductible differences	272	826
	143,379	**143,989**

23. Retirement benefits

Defined contribution scheme - UK

The defined contribution scheme - UK is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €481,000 (2014: €462,000).

Contributions totalling €37,000 (2015: €51,000) were payable to the fund at the year end and are included in trade and other payables.

Defined contribution scheme - Norway

The defined contribution scheme - Norway is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €296,000 (2015: €367,000). Contributions totalling €46,000 (2015: €Nil) were payable to the fund at the year end and are included in trade and other payables.

Defined contribution scheme - Netherlands

The defined contribution scheme - Netherlands is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €267,000 (2015: €245,000). Contributions totalling €42,000 (2015: €62,000) were payable to the fund at the year end and are included in trade and other payables.

Defined benefits scheme - UK

A subsidiary company operates a final salary defined benefit pension plan. No benefits have accrued since 3 August 2005. Pension benefits for deferred members are based on the members' final pensionable salaries and service at the date accrual ceased (or date of leaving if earlier).

The most recent formal actuarial valuation was carried out as at 30 June 2015.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2016	2015
	Per annum	Per annum
Discount rate	2.70%	3.70%
Expected rate of inflation	2.80%	3.20%
Rate of increase of pensions in payment	2.70%	3.10%
Rate of increase for deferred pensioners	1.80%	2.20%

Demographic assumptions

	2016	2015
Mortality (pre-retirement)	AMC00/AFC00	AMC00/AFC00
Mortality (post retirement)	S1PA (yob) CMI 2015 M/F	S1PA (yob) CMI 2014 M/F
	1.25%	1.25%

23. Retirement benefits (continued)

	2016		2015	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	22.2 years	24.2 years	22.2 years	24.4 years
Life expectancy at age 65 for current 45 year old	23.9 years	26.1 years	23.9 years	26.3 years

The amount recognised in the Consolidated Balance Sheet in respect of the Group's UK defined benefits scheme assets is as follows:

	2016	2015
	€000	€000
Present value of funded obligations	(8,592)	(8,749)
Fair value of scheme assets	9,553	9,626
Assets	**961**	**877**

Amounts recognised in the Consolidated Income Statement in respect of the defined benefit scheme are as follows:

	2016	2015
	€000	€000
Interest charge on obligation (note 6)	(275)	(341)
Expected return on scheme assets (note 6)	303	376
	28	**35**

Amounts recognised in Other Comprehensive Income in respect of the defined benefit scheme are as follows:

	2016	2015
	€000	€000
Actuarial losses on defined benefit obligation	(1,007)	(501)
Actual return on assets	1,187	519
	180	**18**

Expected return on assets and interest on obligations are recorded under investment income. The cumulative actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income is €3,439,000.

Changes in the present value of defined benefits obligations are as follows:

	2016	2015
	€000	€000
Opening defined benefits obligation	8,749	7,411
Interest cost	275	341
Foreign exchange movements	(1,242)	949
Actuarial losses	1,007	501
Benefits paid	(197)	(453)
Closing defined benefits obligation	**8,592**	**8,749**

23. Retirement benefits (continued)

Changes in the fair value of scheme assets are as follows:

	2016	2015
	€000	€000
Opening fair value of scheme assets	9,626	8,141
Expected returns	303	376
Foreign exchange movements	(1,366)	1,043
Actual gain	1,187	519
Benefits paid	(197)	(453)
Closing fair value of scheme assets	**9,553**	**9,626**

The fair value of the scheme assets at the balance sheet date is analysed as follows:

	Value at 30 June 2016	Value at 30 June 2015
	€000	€000
Equity instruments	3,888	4,216
Gilts	3,239	2,375
Cash	2,426	3,035
	9,553	**9,626**

The history of the scheme for the current and prior period is as follows:

	2016	2015	2014
	€000	€000	€000
Fair value of scheme assets	9,553	9,626	8,141
Present value of defined benefit obligations	8,592	8,749	7,411
Net surplus	961	877	730
Experience adjustments on scheme liabilities	76	68	210
Percentage of total scheme obligation	1%	1%	3%
Experience adjustments on scheme assets	1,187	290	348
Percentage of scheme assets	12%	3%	4%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2015. This valuation revealed a surplus in plan so no deficit contributions are due from the Company. Therefore, the Company does not expect to make a payment to the plan during the accounting year beginning 1 July 2016 other than in respect of ongoing expenses.

23. Retirement benefits (continued)

Changes in the fair value of scheme assets are as follows:

Sensitivity analysis	Change in assumption	Change in obligation
Discount rate	+0.5%/-0.5%	+9.0%/-8.0%
Expected rate of inflation	+0.5%/-0.5%	+6.0%/-5.0%
Assumed life expectancy	+ 1 year	+3.0%

Defined benefits scheme - Norway

A subsidiary company operates two final salary defined benefit pension plans.

The most recent formal actuarial valuation was carried out as at 30 June 2016.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2016	2015
	Per annum	Per annum
Discount rate	2.50%	2.30%
Expected rate of inflation	1.50%	1.50%
Expected rate of salary increases	2.50%	2.75%
Rate of increase of pensions in payment	0.00%	0.00%
Rate of increase for deferred pensioners	N/A	N/A

Demographic assumptions

	2016	2015
Mortality	K2013BE	K2013BE

	2016		2015	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.0 years	24.1 years	20.7 years	23.9 years
Life expectancy at age 65 for current 40 year old	23.2 years	26.5 years	23.0 years	26.3 years

The amount recognised in the Consolidated Balance Sheet in respect of the Group's Norwegian defined benefits scheme assets is as follows:

	2016	2015
	€000	€000
Present value of funded obligations	(3,392)	(3,976)
Fair value of scheme assets	3,352	3,646
Year-end obligations	**(40)**	**(330)**

23. Retirement benefits (continued)

Amounts recognised in the Consolidated Income Statement in respect of the defined benefits scheme are as follows:

	2016	2015
	€000	€000
Service cost	(64)	(66)
Interest charge on obligation (note 6)	(84)	(127)
Expected return on scheme assets (note 6)	73	116
	(75)	(77)

Amounts recognised in other Comprehensive Income in respect of the defined benefit scheme are as follows:

	2016	2015
	€000	€000
Actuarial gain/(loss) on defined benefit obligation	255	(300)
Actual return on assets	(96)	110
	159	(190)

Expected return on assets and interest on obligations are recorded under investment income. The cumulative actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income is a loss of €31,000.

Changes in the present value of defined benefits obligations are as follows:

	2016	2015
	€000	€000
Opening defined benefits obligation	3,976	3,906
Interest cost	84	127
Service cost	64	66
Foreign exchange movements	(238)	(173)
Actuarial (gain)/loss	(255)	300
Benefits paid	(225)	(238)
Employer contributions	(14)	(12)
Closing defined benefits obligation	**3,392**	**3,976**

Changes in the fair value of scheme assets are as follows:

	2016	2016
	€000	€000
Opening fair value of scheme assets	3,646	3,662
Expected returns	73	116
Foreign exchange movements	(217)	(162)
Return on assets	(96)	110
Contributions by employer	101	88
Benefits paid	(155)	(168)
Closing fair value of scheme assets	**3,352**	**3,646**

23. Retirement benefits (continued)

The fair value of the scheme assets at the balance sheet date is analysed as follows:

	Value at 30 June 2016	Value at 30 June 2015
	€000	€000
Equity instruments	168	484
Bonds	2,647	2,690
Real Estate	369	413
Cash	168	59
	3,352	3,646

The history of the scheme for the period since acquisition is as follows:

	2016	2015
	€000	€000
Fair value of scheme assets	3,352	3,646
Present value of defined benefit obligations	3,392	3,976
Net deficit	(40)	(330)
Experience adjustments on scheme liabilities	175	(24)
Percentage of total scheme obligation	5%	(1%)
Experience adjustments on scheme assets	(63)	147
Percentage of scheme assets	(2%)	4%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2016.

The employer expects to make a payment to the plan during the accounting year beginning 1 July 2016 of €105,000.

Sensitivity analysis	Change in assumption	Change in obligation
Discount rate	+0.5%/-0.5%	+6.2%/-5.2%
Expected rate of inflation	+0.5%/-0.5%	+0.1%/-0.1%
Assumed life expectancy	+ 1 year	+ 3%

24. Financial risk management

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group has significant operations within the euro area but also operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, where necessary. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies.

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where necessary, floating to fixed interest rate swaps can be used to fix the interest rate.

24. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk.

The Group has established a credit policy that ensures that sales are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Reporting of financial risks

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		Total fair value	Carrying value	Total fair value	Carrying value
		2016	2016	2015	2015
		€000	€000	€000	€000
Financial assets					
Trade and other receivables*		61,440	61,440	68,677	68,677
Cash and cash equivalents		26,315	26,315	26,794	26,794
Long term receivables		504	504	529	529
Derivative financial instruments:					
– Forward exchange contract	Level 2	-	-	168	168
Total financial assets		**88,259**	**88,259**	**96,168**	**96,168**

Financial liabilities		Total fair value	Carrying value	Total fair value	Carrying value
		2016	2016	2015	2015
		€000	€000	€000	€000
Unsecured bank loans and overdrafts		(16,870)	(16,870)	(18,554)	(18,554)
Trade and other payables**		(76,411)	(76,411)	(73,691)	(73,691)
Derivative financial instruments:					
– Forward exchange contract	Level 2	-	-	-	-
Total financial liabilities		**(93,281)**	**(93,281)**	**(92,245)**	**(92,245)**

*excluding prepayments

**excluding accrued expenses, deferred consideration, deferred income and payments received on account

The maximum credit risk exposure relating to financial assets is represented by the carrying values at the balance sheet date.

24. Financial risk management (continued)

Fair value measurement basis for derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates.

Forward exchange contracts used for hedging

The fair value of forward exchange contracts has been determined using quoted forward exchange rates at the balance sheet date.

Interest rate swaps

Interest rate swaps are measured by reference to third party bank confirmations and discounted cash flows.

Determination of fair values of non-derivative financial assets and liabilities

Trade and other receivables and payables

Due to their short maturities, trade and other payables, and trade and other receivables have been stated at their book values which approximate to their fair values.

Non derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The interest rates used to discount estimated cash flows, where applicable, are based on EURIBOR.

At 30 June 2016 the discount rate used was 3.0 per cent (30 June 2015: 3.0 per cent).

24. Financial risk management (continued)

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

	Due within one year	Due between 1 and 2 years	Due between 2 and 5 years	Total	Impact of discounting and netting	Carrying amount
30 June 2016	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Non derivative financial liabilities						
Unsecured bank loans and overdrafts	16,870	-	-	16,870	-	16,870
Forward exchange contracts	-	-	-	-	-	-
	16,870	-	-	16,870	-	16,870

	Due within one year	Due between 1 and 2 years	Due between 2 and 5 years	Total	Impact of discounting and netting	Carrying amount
30 June 2015	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Non derivative financial liabilities						
Unsecured bank loans and overdrafts	18,554	-	-	18,554	-	18,554
Forward exchange contracts	-	-	-	-	-	-
	18,554	-	-	18,554	-	18,554

Market risk: Currency risk

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate	Average rate	Reporting date spot rate	Reporting date spot rate
	2016	**2015**	**2016**	**2015**
Sterling	1.35	1.32	1.21	1.41
Swedish Krona	0.11	0.11	0.11	0.11
Norwegian Krone	0.11	0.12	0.11	0.11
Romanian Leu	0.22	0.23	0.22	0.22
Polish Zloty	0.23	0.24	0.23	0.24
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.65	-	0.66	-
US Dollar	0.9	-	0.89	-

24. Financial risk management (continued)

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2016 and 30 June 2015 would have had the following effect on profit/(loss) on ordinary activities before tax:

	2016	2015
	€000	€000
Sterling	(64)	(179)
Norwegian Krone	70	158
Swedish Krona	76	60
Polish Zloty	(84)	(28)
Czech Koruna	141	(72)
US Dollar	(23)	-
Australian Dollar	(4)	-

Interest rate risk

The Group carries a cash flow risk on that part of borrowings held at floating rates. The Group is not subject to fair value interest rate risk as the majority of debt is held at floating rates.

An analysis of financial assets and liabilities exposed to interest rate risk is set out below:

Financial assets subject to interest rate risk

	2016	2015
	€000	€000
Euro	19,894	20,967
Sterling	5,525	4,883
US Dollar	166	41
Romania Leu	47	18
Norwegian Krone	360	369
Swedish Krona	127	322
Polish Zloty	53	185
Czech Koruna	74	9
Australian Dollar	69	-

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at floating rates based upon EURIBOR, LIBOR or equivalent measures.

Financial liabilities subject to interest rate risk

	2016	2015
	€000	€000
Euro bank borrowings	27,861	32,554
Sterling bank borrowings	8,307	9,110
Norwegian bank borrowings	2,169	2,582
Czech bank borrowings	2,816	981
	41,153	45,227

24. Financial risk management (continued)

The Group's financial liabilities comprise loan borrowings which bear interest at floating rates based upon EURIBOR and LIBOR, and overdraft borrowings which bear interest at floating rates based upon EURIBOR and EONIA.

Interest rate sensitivity analysis

The analysis shows the additional charge to Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

	2016	2015
	€000	€000
100% movement in 3 month EUIBOR and LIBOR	76	44

Foreign exchange risk

The Group investments and activities are mainly located within the Eurozone as well as the UK.

Cover is arranged through a combination of internal hedging of risks by matching sales and purchases where practical and forward contracts where considered necessary.

Credit risk

The Group receives credit from funders and suppliers. Group policies are aimed at ensuring this credit is maintained at adequate levels for the purpose of funding the business operations.

Group policies are aimed at minimising losses from credit risk and require that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk.

An appropriate level of credit insurance cover has been arranged in the UK to ensure that we have a cost effective means of protection against increased credit risks in the current economic environment.

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date, payment history, current relationship, latest market intelligence and the availability of credit insurance.

As illustrated in the following tables, the level of doubtful and partly impaired balances is low and provisions adequate.

Ageing of overdue and partly impaired receivables

	2016	2015
	€000	€000
Between 0 and 90 days	392	125
Between 91 and 120 days	181	195
Between 121 and 180 days	206	236
Over 181 days	1,389	2,013
	2,168	2,569

24. Financial risk management (continued)

Movement in the allowance for doubtful debts

	2016	2015
	€000	€000
Balance at beginning of period	2,069	1,744
Impairment provisions	358	387
Acquisitions	-	435
Amounts written-off as uncollectible	(215)	(299)
Foreign exchange movements	(94)	92
Impairment provisions reversed	(174)	(290)
Balance at end of period	**1,944**	**2,069**

Ageing of past due but not impaired receivables:

	2016	2015
	€000	€000
Between 0 and 90 days	6,597	8,518
Between 91 and 120 days	381	689
Between 121 and 180 days	426	146
Over 181 days	165	-
	7,569	**9,353**

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations and ensuring that adequate credit/borrowing facilities are in place.

Capital expenditures and related financing of investments are approved at a Group level. These are funded through a combination of internally generated cash resources and lease financing.

Flexibility is maintained by retaining surplus cash in readily accessible bank accounts. Borrowing facilities are a combination of fixed term loan facilities with 2 years remaining and other credit facilities with no fixed expiration date.

Cash balances and forecasts are controlled at both local and Group level on a daily basis.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in the Consolidated Statement of Cash Flow, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The above risks are adhered by the Group in the current and the prior financial period.

25. Share capital

Movement in the allowance for doubtful debts

	2016		2015	
Allotted, called up and fully paid	No.	€	No.	€
Ordinary Class A shares of €1.00 each	15,789,474	15,789,474	17,500,000	17,500,000
Ordinary Class B shares of €1.00 each	14,210,526	14,210,526	15,750,000	15,750,000
	30,000,000	**30,000,000**	**33,250,000**	**33,250,000**

During the year, the Company reduced its share capital to €30,000,000.

All authorised and issued share capital is represented by equity shareholdings.

26. Dividends paid

	2016	2015
	€000	€000
Dividends declared and paid in the year – Class B shares	-	2,934

27. Capital and other commitments

	2016	2015
	€000	€000
Capital expenditure contracted but not provided	-	-

At 30 June, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2016	2016	2015	2015	2016	2015
	Land and buildings	Other	Land and buildings	Other	Total	Total
	€000	€000	€000	€000	€000	€000
Within one year	6,044	3,787	5,860	3,462	9,831	9,322
Between two and five years	13,691	6,443	16,092	4,956	20,134	21,048
After five years	3,101	5	5,694	108	3,106	5,802
	22,836	**10,235**	**27,646**	**8,526**	**33,071**	**36,172**

The Group has entered into commercial leases on certain properties, items of machinery and motor vehicles. These leases have an average duration of between three to ten years. Certain property lease agreements contain an option for renewal with such options exercisable three to six months before the expiry of the lease term at rentals based on market price at the time of exercise. There are no restrictions placed upon the leasee by entering into these leases.

27. Capital and other commitments (continued)

Operating lease commitments where the Group is lessor

The Group has let property that is currently surplus to requirements under a non-cancellable lease with remaining terms between two to five years. There is no provision for an upward rent review.

	2016	2015
	€000	€000
Not more than one year	558	-
After one year but not more than five years	837	-
	1,395	-

28. Contingent liabilities

In the directors' opinion there are no contingent liabilities.

29. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Material transactions and year-end balances with related parties were:

	2016	2015
	€000	€000
Charges from companies with common key management personnel	336	336
Amounts due to companies with common key management personnel	-	34
Amounts due from companies with common key management personnel	249	2,889
Interest received from companies with common key management personnel	45	143
Acquisitions from companies with common key management personnel	-	40

Details of the directors are given on page 28. Key management personnel are considered to be the directors, and their remuneration is disclosed within Note 5.

The companies with common key management personnel are Investment Paragon Limited and Grenadier Management Limited.

Details of changes to the capital structure of the group are disclosed in Note 25. The impact on amounts due from related parties are detailed below.

29. Related party transactions (continued)

Operating lease commitments where the Group is lessor

The Group has let property that is currently surplus to requirements under a non-cancellable lease with remaining terms between two to five years. There is no provision for an upward rent review.

	€000
Amounts due from companies with common key management personnel at 1 July 2015	2,889
Accrued interest at 2.5% earned in the year ending 30 June 2016	45
Share capital reduction proceeds	(1,539)
Repayments made during the year	(1,146)
Amounts due from companies with common key management personnel at 30 June 2016	**249**

	€000
Amounts due to shareholders at 1 July 2015	-
Share capital reduction proceeds	(1,711)
Repayments made during the year	350
Accrued interest at 2.5% earned in the year ending 30 June 2016	(14)
Amounts due to shareholders at 30 June 2016	**(1,375)**

30. Events since the balance sheet date

There were no post balance sheet events.

31. List of principal undertakings

Details of the investments in which the Group or the Company holds at least than 5% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

*ACTS: Access Control and Traceability Solutions

**MDS: Marketing and Document Solutions

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held		Nature of business
Grenadier Holdings Limited	England	Ordinary	100%		Parent undertaking
Grenadier (UK) Limited	England	Ordinary	100%	(3)	Parent undertaking
Paragon Group UK Limited	England	Ordinary	100%	(5)	MDS**
Paragon France SAS	France	Ordinary	100%	(3)	Parent undertaking
Paragon Identification SAS	France	Ordinary	100%	(2)	ACTS*
Paragon Transaction SA	France	Ordinary	100%	(3)	MDS**
Wordcraft Digital Print Limited	England	Ordinary	100%	(1)	Dormant
Hardy of Castleford Limited	England	Ordinary	100%	(3)	Dormant
Paragon Romania SRL	Romania	Ordinary	100%	(6)	Fulfilment and Printing
Paragon Transaction Belgium BVBA	Belgium	Ordinary	100%	(4)	MDS**
Paragon Transaction UK Limited	England	Ordinary	100%	(4)	Parent undertaking
Immobiliere Paragon France SAS	France	Ordinary	100%	(4)	Property holding
Paragon Marketing Solutions SAS	France	Ordinary	100%	(4)	Marketing Solutions
Sologne Routage SAS	France	Ordinary	100%	(4)	MDS**
SCI de L'erigny	France	Ordinary	100%	(14)	Property holding
Gresset Services SAS	France	Ordinary	66.67%	(3)	Print and services
Bemrose Booth Paragon Limited	England	Ordinary	100%	(3)	ACTS*
Print Trade Suppliers Limited	England	Ordinary	100%	(5)	Print and services
Holmbergs i Malmo AB	Sweden	Ordinary	100%	(5)	MDS**
Intercopy AB	Sweden	Ordinary	7%	(9)	MDS**
Allkopi Holdings AS	Norway	Ordinary	100%	(5)	Parent undertaking
Allkopi AS	Norway	Ordinary	100%	(7)	MDS**
KSB Groep BV	Netherlands	Ordinary	100%	(8)	MDS**
Media Asset Management AS	Norway	Ordinary	25.10%	(8)	MDS**
Paragon Financial Investments Limited	England	Ordinary	100%	(3)	Parent undertaking
Paragon Nederland BV	Netherlands	Ordinary	100%	(3)	Dormant
C&D Investments BV	Netherlands	Ordinary	100%	(3)	Dormant
FleQs BV	Netherlands	Ordinary	100%	(3)	MDS**
Paragon Grenadier US Inc.	USA	Ordinary	100%	(3)	Parent undertaking
CBF plc	England	Ordinary	100%	(1)	Dormant
Paragon Solutions Group Inc.	USA	Ordinary	100%	(10)	ACTS*

31. List of principal undertakings (continued)

Subsidiary undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held		Nature of business
Service Point Paragon Nederland BV	Netherlands	Ordinary	100%	(15)	Document Solutions
Service Point Solutions SA	Spain	Ordinary	74.9%	(11)	Parent undertaking
Service Point Facilities Management Iberica SA	Spain	Ordinary	74.9%	(12)	MDS**
Service Point Netherlands Holdings BV	Netherlands	Ordinary	74.9%	(12)	Parent undertaking
Service Point Nordic AB	Sweden	Ordinary	74.9%	(12)	Parent undertaking
Service Point Belgium NV	Belgium	Ordinary	74.9%	(12)	MDS**
Paragon Meiller GHP Holdings GmbH	Germany	Ordinary	100%	(3)	Parent undertaking
MeillerGHP GmbH	Germany	Ordinary	100%	(13)	Marketing Solutions
MeillerGHP CZ a.s.	Czech Republic	Ordinary	100%	(13)	Marketing Solutions
MeillerGHP Sp. z.o.o.	Poland	Ordinary	100%	(13)	Marketing Solutions
MeillerGHP AB	Sweden	Ordinary	100%	(13)	Marketing Solutions
MeillerGHP SARL	France	Ordinary	100%	(13)	Marketing Solutions
Paragon Magnadata Inc.	USA	Ordinary	100%	(3)	ACTS*
Paragon Identification Pty Limited	Australia	Ordinary	100%	(3)	ACTS*

31. List of principal undertakings (continued)

(1) Held via Paragon Group UK Limited

(2) Held via Paragon France SAS

(3) Held via Grenadier Holdings Limited

(4) Held via Paragon Transaction SA

(5) Held via Paragon Transaction UK

(6) Held via Paragon Transaction UK and Paragon Group UK Limited

(7) Held via Allkopi Holdings AS

(8) Held via Allkopi AS

(9) Held via Holmbergs i Malmo AB

(10) Held via Paragon Grenadier US Inc.

(11) Held via Paragon Financial Investments Ltd. This entity has been consolidated as the Group exerts significant influence over the Board of Directors.

(12) Held via Service Point Solutions SA

(13) Held via Paragon MeillerGHP Holdings GmbH

(14) Held via Inter Routage Sologne SAS

(15) Held via Paragon Financial Investments Ltd.

Company Financial Statements

Statement of directors' responsibilities

for the year ended 30 June 2016

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 judgments and 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 proper 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Building a better working world

Independent auditors' report

to the members of Paragon Group Limited

We have audited the financial statements of Paragon Group Limited for the year ended 30 June 2016 which comprise the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 9. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 85, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Building a better working world

Independent auditors' report (continued)

to the members of Paragon Group Limited

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.

Matters on which we are required to report by exception

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

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

Mark Hatton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
21 Oct 2016

Parent Company balance sheet

	Notes	€000	€000
Fixed assets			
Investments	4	74,942	74,942
		74,942	**74,942**
Current assets			
Other receivables	5	**106**	**2,889**
		106	**2,889**
Creditors: amounts falling due within one year			
Other payables	6	2,885	2,407
Income tax payable		-	1,300
		2,885	**3,707**
Net current liabilities		(2,779)	(818)
Net assets		**72,163**	**74,124**
Capital and reserves			
Share capital	8	30,000	33,250
Capital redemption reserve		1,750	1,750
Retained earnings		40,413	39,124
Total equity		**72,163**	**74,124**

These financial statements were approved by the Board of Directors on 21 October 2016 and signed on its behalf by

Patrick J. Crean
Director

Laurent T. Salmon
Director

Statement of changes in equity

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	€000	€000	€000	€000
Balance as at 30 June 2014	33,250	1,750	41,971	76,971
Profit for the year	-	-	87	87
Dividend declared and paid in the year	-	-	(2,934)	(2,934)
Balance at 30 June 2015	**33,250**	**1,750**	**39,124**	**74,124**

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	€000	€000	€000	€000
Balance as at 30 June 2015	33,250	1,750	39,124	74,124
Profit for the year	-	-	1,289	1,289
Share capital reduction	3,250	-	-	(3,250)
Balance at 30 June 2016	**30,000**	**1,750**	**40,413**	**72,163**

Notes to the parent company financial statements

for the year ended 30 June 2016

1. Accounting policies

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company's financial statements are presented in Euros, rounded to the nearest thousand except where otherwise indicated.

The results of the Company are included in the consolidated financial statements of Paragon Group Limited, which are available from its registered office. The principal accounting policies adopted by the company are set out below.

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presentd. The Company noted no differences in its preparation of the comparative information presented in these financial statements for the year ended 30 June 2016. In preparing its FRS 101 balance sheet as at 30 June 2015 and 30 June 2014, the company made no adjustments to the amounts reported previously under UK GAAP. In preparing its FRS 101 income statement for the year ended 30 June 2015, the company made no adjustments to the amounts reported previously under UK GAAP.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1. Accounting policies (continued)

Foreign currencies
Transactions in foreign currencies other than Euro are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euro at the exchange rate ruling at that date.
Foreign currency differences arising on translation or settlement of monetary items are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at exchange rates ruling at the date the fair value was determined. Exchange gains and losses arising on the retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity.

Investments
Investments are stated at historical cost, less any provision for impairment.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the Consolidated Income Statement when there is objective evidence that the asset is impaired.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

Tax
The tax expense in the Income Statement comprises current tax and deferred tax.
Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1. Accounting policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Critical accounting judgements
In the course of applying the Group's accounting policies the following estimations have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Forecasts and discount rates
The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from Group operations which, in some circumstances, are discounted to arrive at a net present value. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).
Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

2. Profit from operations

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was €1,289,000 (2015: €87,000).

3. Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were €5,000 (2015: €5,000).

4. Investments held as fixed assets

	2016	2015
	€000	€000
Cost:		
At 1 July	74,942	74,942
Additions	-	-
At 30 June	**74,942**	**74,942**

The above are unlisted investments. The principal trading subsidiaries are listed in note 31 of the Group financial statements.

5. Other receivables

	2016	2015
	€000	€000
Amount due from related undertaking (note 7)	**106**	**2,889**

6. Other payables

	2016	2015
	€000	€000
Amounts payable to Group companies	1,510	2,407
Amount due to shareholders (note 7)	1,375	-
	2,885	**2,407**

7. Related party transactions

Material transactions and year-end balances with related parties were:

	2016	2015
	€000	€000
Charges from companies with common key management personnel	336	336
Amounts due to companies with common key management personnel	-	34
Amounts due from companies with common key management personnel	106	2,889
Interest received from companies with common key management personnel	45	143
Acquisitions from companies with common key management personnel	-	40

7. Related party transactions (continued)

Details of the directors are given on page 28. Key management personnel are considered to be the directors. The companies with common key management personnel are Investment Paragon Limited and Grenadier Management Limited.
Details of changes to the capital structure of the group are disclosed in Note 8. The impact on amounts due from related parties are detailed below.

	€000
Amounts due from companies with common key management personnel at 1 July 2015	2,889
Accrued interest at 2.5% earned in the year ending 30 June 2016	45
Share capital reduction proceeds	(1,539)
Repayments made during the year	(1,289)
Amounts due from companies with common key management personnel at 30 June 2016	106

	€000
Amounts due to shareholders at 1 July 2015	-
Share capital reduction proceeds	(1,711)
Repayments made during the year	350
Accrued interest at 2.5% earned in the year ending 30 June 2016	(14)
Amounts due to shareholders at 30 June 2016	(1,375)

The Company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with Group undertakings.

8. Called up share capital and share premium account

	2016		2015	
Allotted, called up and fully paid	No.	€	No.	€
Ordinary Class A shares of €1.00 each	15,789,474	15,789,474	17,500,000	17,500,000
Ordinary Class B shares of €1.00 each	14,210,526	14,210,526	15,750,000	15,750,000
	30,000,000	**30,000,000**	**33,250,000**	**33,250,000**

During the year, the Company reduced its share capital to €30,000,000.
All authorised and issued share capital is represented by equity shareholdings.

9. Dividends paid

	2016	2015
	€000	€000
Dividends declared and paid in the year – Class B shares	-	2,934

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