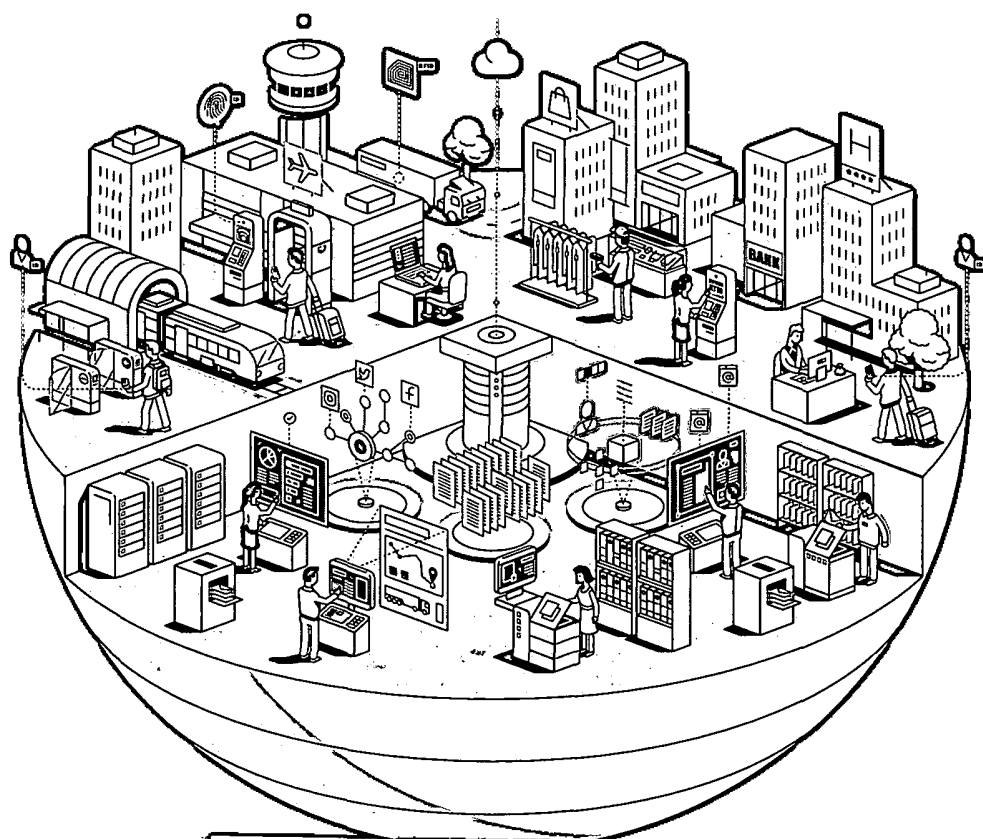
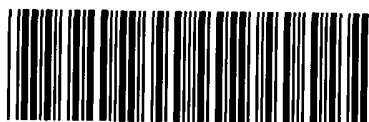


Paragon Group

Connect with your customers



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COMPANIES HOUSE

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¹ Proforma is defined in Note 2 (u) on page 72

² EBITDA is defined in Note 2 (s) on page 72

A year of records and milestones

2017 has been a record year for acquisitions, growth and advancement in technology for the Paragon Group.



€642m

PROFORMA SALES

+60% growth

8

**SIGNIFICANT
ACQUISITIONS**

€442m¹

SALES

+11% growth

€41m²

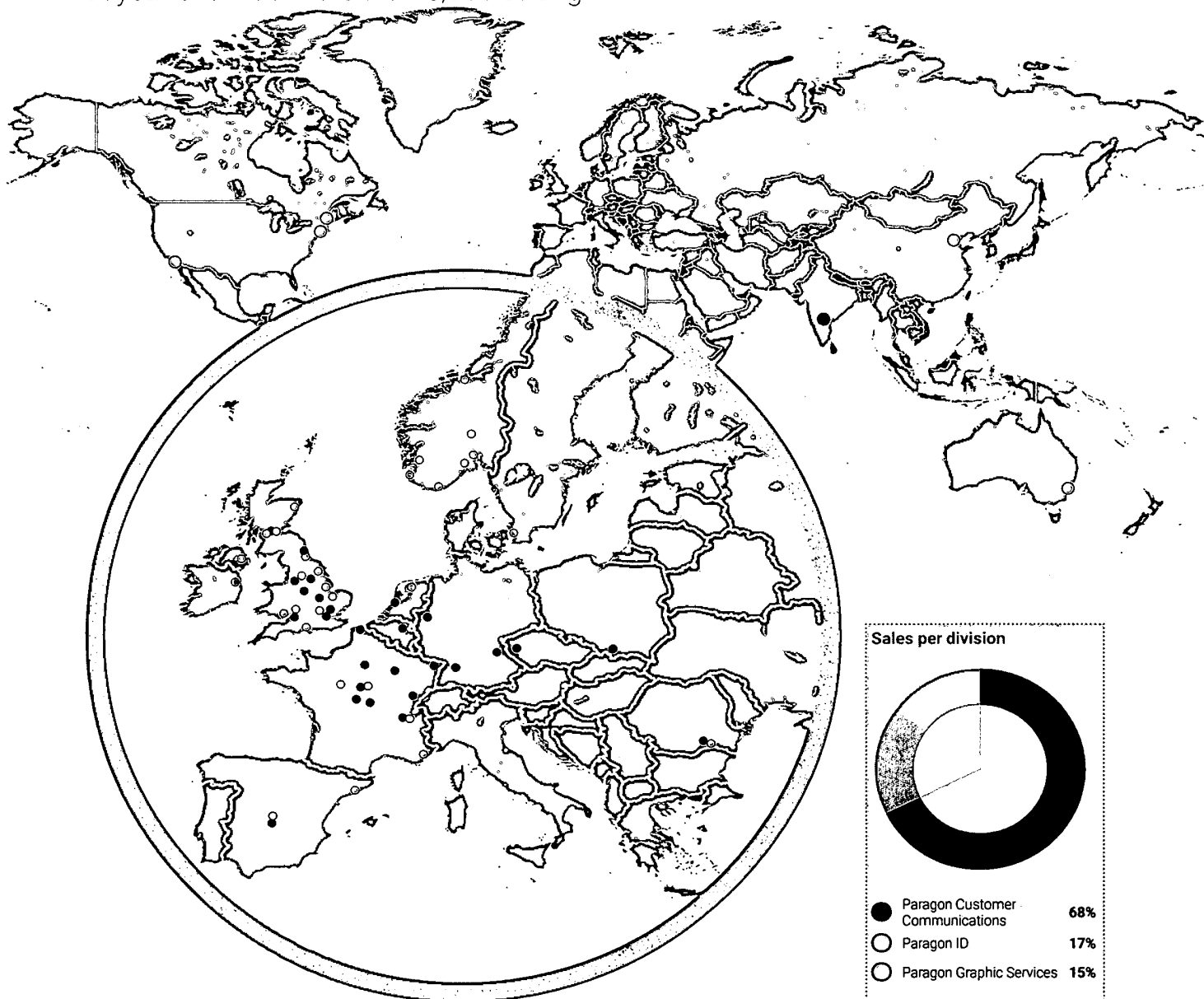
PROFORMA EBITDA

+105% growth

**RECORD
SALES AND
PROFITABILITY**

Global and local

Paragon Group today does business around the globe, while maintaining its roots in European production and localised delivery of services. Our international team at year end was more than 5,000 strong.



UK

- 41 locations across 3 divisions
- Data analysis and customer insight
- Sophisticated regulatory, transactional and marketing production
- RFID and magnetic ticket production
- Application Software development centre

France

- 16 locations in Customer Communication and ID
- Development, production, logistics, and supply chain
- RFID and magnetic ticket production
- Software development centre

Germany

- 3 Paragon Customer Communications locations
- Highly personalised direct marketing in small and large volumes
- Digital and physical transactional documents
- Inbound scanning and processing centre
- Software development centre

Eastern Europe

- 5 sophisticated production facilities
- Czech Republic and Poland providing direct marketing and fulfilment
- Romania provides near shore production for RFID, digital print and fulfilment

Scandinavia

- 19 locations including retail network in Norway
- Focus on Graphics services: design, large format, reprographics
- Offset and digital printing
- Book on demand production

Benelux

- 6 Paragon centres providing client BPO services

Spain

- 4 locations with specialism in on-demand publishing and retail
- Paragon Customer Communications office focused on print management

Rest of World

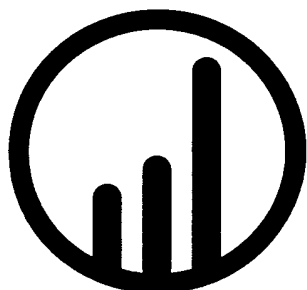
- Sales offices in USA, China and Australia
- e-ID manufacturing facility in Vermont, USA
- Software development team in Hyderabad, India, for client-facing applications

Ireland

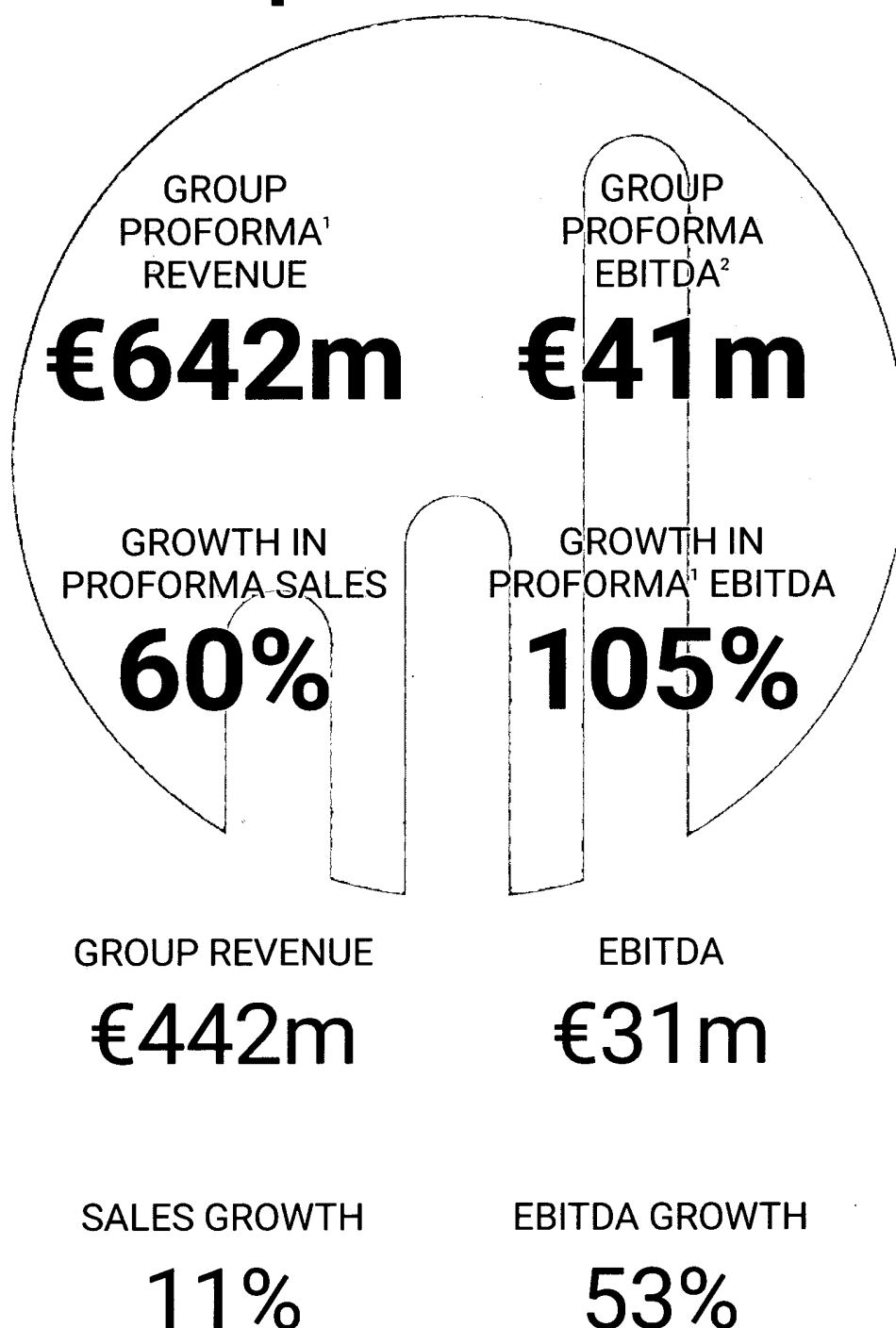
- Corporate Support Office
- M&A, Finance and Operations
- International Sales and Marketing
- Software development

We operate on site with clients at 80+ locations across Europe.

Paragon 2017 performance



- Strong double digit revenue growth
- Durable and balanced portfolio and geographical presence
- Increased profitability levels while integrating significant acquisitions
- Strong financial and operational discipline.
- Evolved to three Divisions.



¹ Proforma is defined in Note 2 (u) on page 72

² EBITDA is defined in Note 2 (s) on page 72

³ Cash generated from operations as per Consolidated Statement of Cashflow

⁴ Calculated as Net Debt (page 64) divided by Proforma EBITDA

FREE CASH FLOW³

€19m

NET DEBT MULTIPLE⁴

2.1x

Statement from our CEO

“ The Group posted record results and continues on a rapid upward trajectory. ”



Patrick Crean

Chief Executive Officer

I am pleased to report a strong result for 2016/17. We have many positive developments to report during the financial period. The Group posted record results and continues on a rapid upward growth trajectory while transforming into a value-adding, technology-driven company and a strategic partner to our clients.

A record year for acquisitions

This year we report on the biggest year of acquisitions in our history. In total, we completed eight significant acquisitions, adding over €200 million in proforma turnover and significantly advancing our strategic objectives: first, to **improve breadth and depth** in our target industry and market segments, including e-identity, advanced data analytics and regulated industries; second, to **enhance our profitability** by improving our earnings profile, leveraging our scale and realising internal synergies; and third, to **increase our market share** in target geographies.

Our acquisition strategy has evolved to the next stage: focusing on scale, industry focus, and profitability. While we will continue to opportunistically acquire value-adding companies, we are now focused on building scale, specific capabilities and technologies and earnings quality. Our most notable acquisitions in support of these goals this year were the UK Customer Communications division of DST Systems, and ASK S.A., a Paris Euronext publicly listed company which is a specialist in the ID sector. Post balance sheet, we completed the acquisition of Docsellent GmbH, one of the leading providers of physical and electronic document output in Germany, to further strengthen our position in the sector.

Global expansion

The Group expanded its international footprint over the course of the financial year. We grew extensively in Europe. The acquisition of ASK added manufacturing capabilities in the USA and we invested in further manufacturing facilities in Romania for the production of RFID ticketing and secure identification products.

The Group now has substantive operations in 15 countries and has sales in more than 45 countries worldwide. During the year, in line with many other businesses we faced competition and market challenges in Scandinavia. We addressed this by making acquisitions to add scale and restructuring to reduce the number of locations and improve performance. We fully support our business and expect these efforts to be rewarded in the near future.

Outstanding new contract wins

Our outsourcing business continues to grow at pace. This year we secured several new contracts, including with a leading systems integrator in the UK and a prominent international financial services group in France. We have also secured, in a competitive environment, other significant contract wins with both new and existing customers, and see further opportunities as we bring our expanded offering and international capabilities to our growing client base.

“ We have substantive operations in 15 countries ”

Delivering our strategic objectives

The group made significant progress this year in delivering our strategic objectives including:

Growth and profitability

We continued our strong growth this year and our Group proforma sales are now €642m. We continue to fuel our growth through a mix of acquisition and organic growth in our key sectors. At the same time we are focused on improving profitability. This year our EBITDA grew by 53%.

Achieving scale in strategic markets

We attained a market leading position in the customer communications sector throughout Europe and in the UK this year. We completed eight acquisitions and increased our market share and scale in key geographic markets and industry segments.

Achieving significant scale, particularly in key markets, delivers tangible benefits to the Group through greater purchasing power, greater internal synergies, and an ability to compete for larger contracts which attract less competition in the market.

Data driven, powered by analytics

We have added extensive capability in data analytics and management areas. Paragon Customer Communications includes digital marketing and data analysis experts working alongside creative and planning teams; this allied to our transactional and regulatory output ability allows us to deliver to our customers comprehensive end-to-end services. We provide high volume, mission critical services that also add value and drive ROI. The rapid arrival of GDPR* is driving significant demand from our customers for providers with full end-to-end, secure capabilities.

Continuing investment in technology

Our objective is to continuously invest in technology, and to acquire technology-driven companies, to continue our shift away from commodities towards complex solution delivery and drive improved profitability. Through capital investment and R&D we doubled our capacity for the manufacture of inlays in our Identification division, at existing Paragon facilities in France and through investment a new production facility in Romania.

The acquisition of ASK also brings additional technological capability to the Group.

Continuous improvement embedded in our culture

We have embedded our continuous improvement programme (CIP) in all operations. This delivered a significant and continuing contribution to EBITDA during the year. The programme will deliver ongoing benefits as all acquired companies work to Paragon's exacting standards for efficiency and value delivery.

Financial & operational discipline

We maintain a strong discipline, with clear focus on costs and continuous improvement throughout all our operations. This ensures that we maintain a strong financial foundation and deliver sustainable and growing profitability for the longer term.

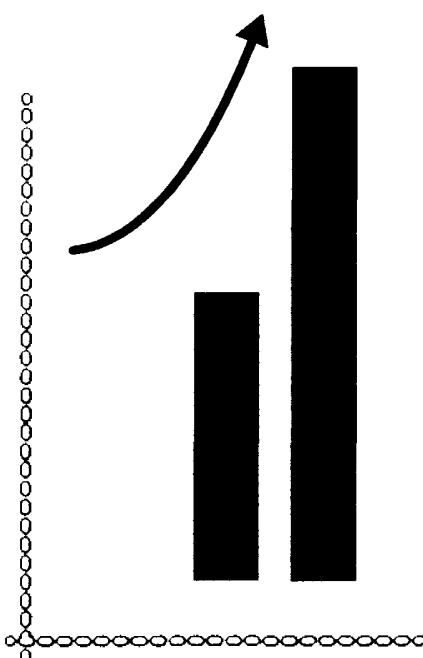
We finished the year with cash on hand and a low debt to EBITDA ratio (on a proforma basis) which positions the Group very well for continued acquisition activity.

Core values

In Paragon we adhere to a set of core values which underpin everything we do – we are entrepreneurial, customer focused and agile. We adhere to the highest level of integrity and we apply a rigorous risk management approach throughout all our operations.

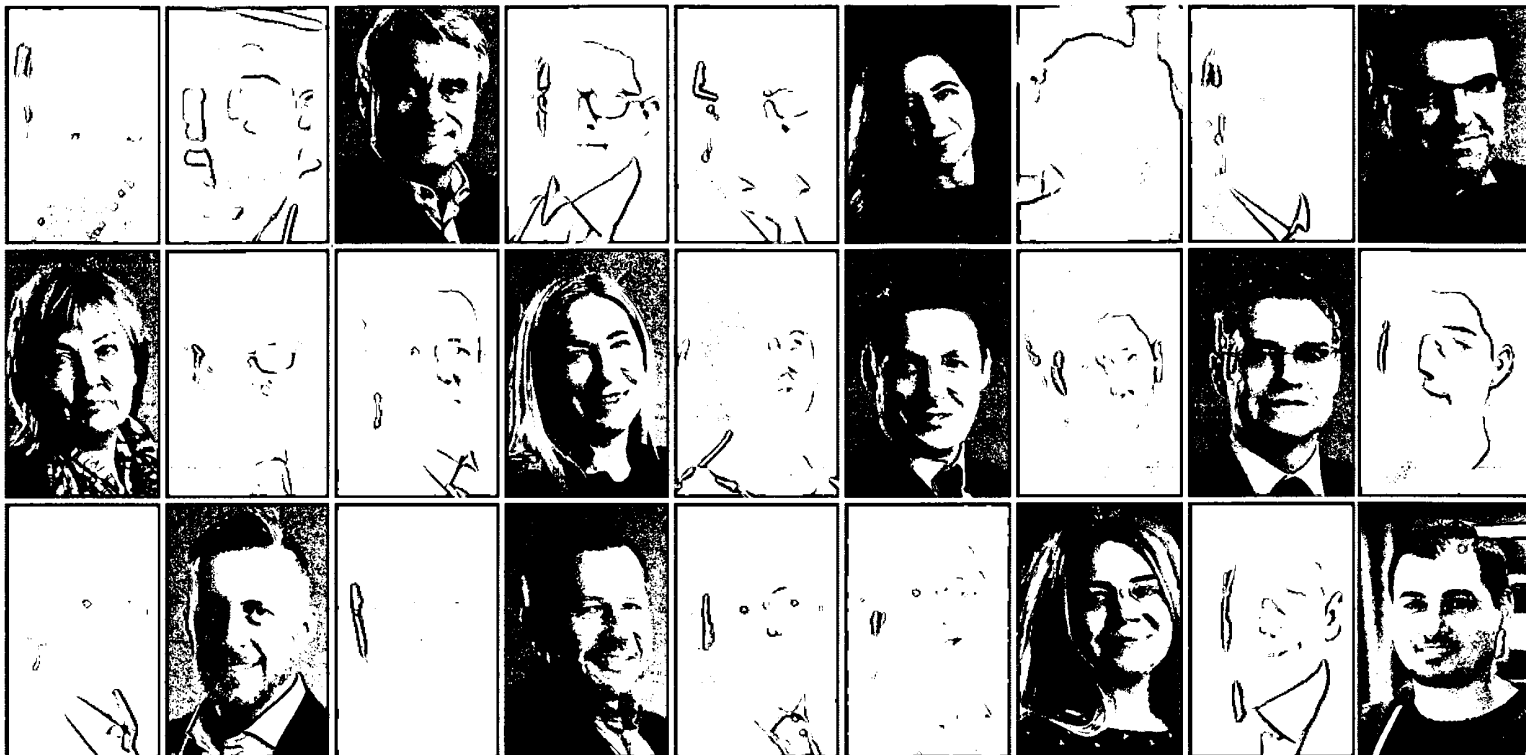
Fuelling our growth – a successful bond placement

We successfully completed our first private bond placement in December 2016. This was oversubscribed and reflected confidence in our strong operating discipline and successful track record. Our overall debt level remains comfortable and we have significant scope for future acquisition and leverage should we need it.



“ In Paragon we adhere to a set of core values which underpin everything we do – we are entrepreneurial, customer focused and agile. ”

* GDPR is the General Data Protection Regulation, a European Union (EU) regulation to strengthen data protection for individuals in the EU



“I want to thank all of the men and women in the Paragon Group who work tirelessly to deliver outstanding service to our customers.”

Building the future

We continue to welcome senior executives who bring deep expertise to our group. This year we predominantly strengthened the team via acquisition: with Jeremy Walters, CEO of Paragon Customer Communications, joining from DST Output in the UK and Julien Zuccarelli, CEO of Paragon ID, joining from ASK, along with their respective teams.

With the acquisition and development activity during the year, we have continued to strengthen and complement our existing skill base, providing the group with solid foundations to continue our growth and excellent client services. We are also heavily focused on retaining and developing our talent at all levels – from our successful Graduate Programme to ensuring our long-term staff receive ongoing training and support.

Evolving to three divisions

During the year, we aligned the business into three divisions – Paragon Customer Communications, Paragon ID and Paragon Graphic Services.

Paragon Customer Communications is the largest division of the Group, providing a range of services to our clients to improve their communications with their customers. Paragon ID delivers RFID and contactless solutions for personal identification, mass transit, smart cities, brand protection and traceability. Paragon Graphic Services is an on-demand digital print network offering design and marketing services to businesses, as well as reprographic services to the engineering, construction and retail sectors.

All of this occurs in a rapidly changing environment and we continue to invest in robust financial and risk management systems and procedures.

The rapid development of Paragon Group will continue. We expect to see continued profitable and sustainable growth based upon the firm foundations we have created.

I want to thank all of the men and women in the Paragon Group who work tirelessly to deliver outstanding service to our customers.

Patrick J Crean
Chief Executive Officer

Statement from our CFO



Laurent T. Salmon

Group Chief Financial Officer

Group sales for 2017 have reached €442 million, 11% ahead of prior year (2016: €400 million). The Group proforma sales are now €642 million due to recent acquisitions, a 60% increase compared to June 2016.

This continues our unbroken cycle of significant growth, which now extends to more than a decade.

Group EBITDA has increased by over €10 million, a 53% increase from 2016. Our consolidated EBITDA reached €31 million in June 2017 (2016: €20 million).

More importantly, the Group proforma EBITDA is now at €41 million, a 105% increase compared to the EBITDA reported in June 2016.

The EBIT of the Group has increased to €18 million (2016: €8million), a 128% increase year-on-year and also a €10 million improvement on 2016.

Strong performance delivered through strict 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. We prepare and execute detailed post-acquisition plans to extract operational and procurement synergies identified during comprehensive due diligence processes.

Continuous improvement programmes (CIPs) are operational across Paragon and are introduced and tracked in acquired companies to ensure that they adhere to the Group's relentless push towards greater operating efficiency.

All group companies operate with a discipline of monthly management reviews to discuss performance and outlook, with specific focus on sales development and pipeline, cost control and management, cash flow forecasting, working capital management, and disciplined capital expenditure planning based on strict ROI parameters.

Favourable Debt and financing position

With €44 million cash available on our Consolidated Statement of Financial Position (2016: €26 million), the Group's prospects for future acquisitions remain positive, especially in light of an economic climate that remains favourable to consolidation.

The Group issued €52 million of Euro Private Placement Bonds on the Luxembourg bond market in December 2016. These bonds, repayable entirely in 7 years time (December 2023), currently carry a 4% interest rate that is capped at 5%, depending on Group leverage. The bonds have been issued in order to facilitate the Paragon Group's strategy on acquisition, as demonstrated with recent acquisitions across Europe.

Following our recent year-end acquisitions, the Group Net Debt multiple remains very low at 2.1x, leaving significant headroom for further market consolidation.

Acquisitions & listed subsidiary companies

The Group has acquired eight businesses since June 2016, making 2017 another year of solid external growth. These acquisitions have propelled the Group proforma sales to €642 million, a 60% increase in comparison to the June 2016 figures.

In addition, Paragon now controls two publicly listed companies.

SALES

€442 million

Revenue

+11% on prior year

€642 million

Proforma Revenue

+60% on prior year

EBITDA

€31 million

EBITDA

+53% on prior year

€41 million

Proforma EBITDA

+105% on prior year

DEBT & EARNINGS

Net debt / Proforma EBITDA 2.1 X

€12 million net profit after tax, an 80% increase on last year

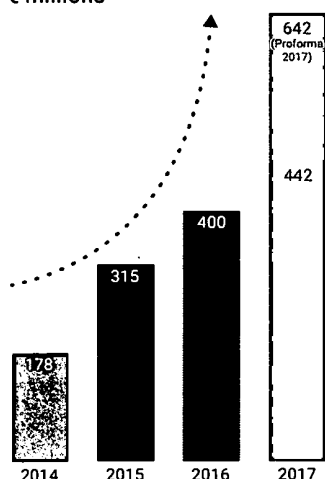
Since the end of April 2017, the group controls 77.5% of ASK S.A., a Paris Euronext publicly listed company. This was achieved by Paragon Group moving our ID Division into ASK S.A. In this process, the Paragon ID division which carried very little debt, was independently valued at €108 million (12 times its prior year EBITDA), generating an €88 million equity increase in ASK S.A. in addition to a €20 million bond issuance in favour of Paragon Group. ASK S.A. will be rebranded as Paragon ID in order to reflect the current Paragon control over the Company, as well as the company's future public strategy within the Identification & Traceability sector.

The Group also controls 81.3% of Service Point Solutions S.A., a company relisted in December 2016 on the Madrid stock exchange. Service Point Solutions S.A. now enjoys a clean balance sheet with €387m of deferred tax losses, making Service Point Solutions S.A. another Paragon Group premium platform for growth.

Laurent T Salmon
Chief Financial Officer

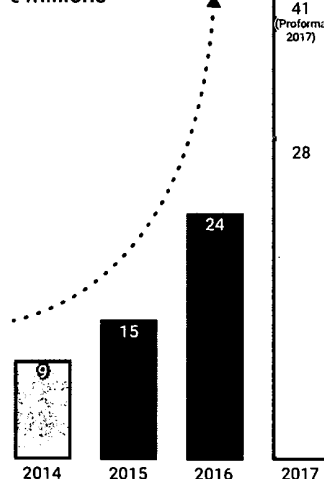
Sales

€ millions



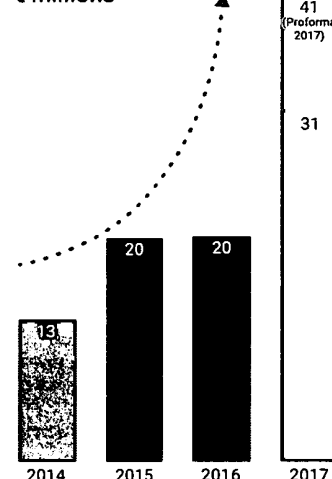
Underlying EBITDA*

€ millions



EBITDA

€ millions



Consolidated income statement

	2014	2015	2016	2017
	€000	€000	€000	€000
SALES	178,351	315,337	400,439	442,187
Material costs	78,449	130,767	171,678	188,822
Payroll	59,837	117,964	140,489	156,151
Other operating costs	26,887	46,302	68,139	66,465
EBITDA²	13,178	20,304	20,133	30,749
Depreciation and amortisation	4,773	10,686	12,225	12,748
EBIT/Operating profit	8,405	9,618	7,908	18,001
Gain/(loss) on assets disposal	64	(126)	539	155
Share of equity accounted investments and dividend income	-	14	10	89
Net finance costs	(806)	(1,996)	(3,107)	(4,544)
Income tax (charge)/credit	(894)	(468)	1,397	(1,525)
Profit for the year	6,769	7,042	6,747	12,176
EBITDA*	13,178	20,304	20,133	30,749
Exceptional net (gains)/losses	(3,853)	(4,923)	4,165	(3,029)
Underlying EBITDA*	9,325	15,381	24,298	27,720

* EBIT, EBITDA and underlying EBIT/EBITDA are defined in Note 2 (s) on page 72

Paragon acquisition capability



Paragon Group has a history of successful acquisition and integration. We have a dedicated team focused on selection, due diligence, deal closing and integration.

Since 2014, we have tripled in size - with successful acquisitions such as Service Point, MEILLERGHP and, more recently, DST Output and ASK bringing significant new capabilities and scale to the group.

Our well-proven acquisition process continues to successfully drive Group growth, increasing projected turnover and extending our footprint in Europe and beyond.

Our mergers and acquisition team is led by VP Corporate Development John Rogers and supported by cross-functional engagement. With the involvement of senior management across the group, we are always looking to the future, identifying the next opportunity and assessing potential synergies and risks.

Our structured acquisition process starts with our extensive pipeline and disciplined target selection, using low entry multiples to find attractive takeover candidates with high value prospects. We follow specific criteria to determine commercial compatibility including management fit, ease of transaction, ability to extract synergies and logistics.

Once we have identified and decided on a potential acquisition, our negotiation skills and expertise in post-acquisition integration and synergy extraction ensure a higher return on investment and produce long-lasting value for our shareholders.

Although we face strong competition from private equity investors, our vision - Buy, Build & Grow - allows us to compete effectively as we offer the companies we acquire a future, along with their staff and management, and we have a very strong reputation for accomplishing successful transformations and turnarounds.

Record number and scale of acquisitions in 2017

During the financial year, we completed eight notable acquisitions of varying size and strategic significance.

DST OUTPUT LTD

The largest acquisition in our history, renamed as Paragon Customer Communications immediately on acquisition. DST Output was a leading UK based print and digital communications company that focuses on regulatory, transactional and direct marketing communication for blue-chip clients in the financial services, telecoms, utilities and retail sectors. The acquisition added sophisticated data insight and analysis to our portfolio, as well as strengthening outbound direct mail and digital marketing offerings.

ASK

Acquired via a process which resulted in Paragon controlling 77.5% of the listing of ASK SA on the Euronext exchange, the acquisition represented a move into personal identification products and services, such as electronic passports and ID cards, as well as adding depth to our offer for transport and smart cities. Significant sales and operational synergies exist between ASK and Paragon ID.

D'HAUSSY

Acquired against strong competition from other bidders, D'Haussey is a leader in high volume printing, personalisation, finishing & fulfilment for direct marketing campaigns, serving primarily French and German customers. D'Haussey allows Paragon to consolidate its market share across Europe, increase capacity and add new technologies & capabilities.

RAULT-EPPE

The acquisition of document management companies Imprimerie Rault and EPPE Services ("Rault-Eppe") strengthened our position in document services in the French market. The companies operate from three locations in France for document production, label production and logistics.

NETPRINT

A complementary acquisition in Norway to consolidate our leading position in the Norwegian reprographics market, we also strengthened our management team with the appointment of Netprint MD Atle Olsen as Managing Director for all Norwegian operations.

NYA LJUS

A small but highly synergistic acquisition to strengthen our position in the Swedish market, bringing large format customers from the retail sector and experienced and energetic management.

BURALL INFOSMART

Burall Infosmart is a successful, family owned firm with an excellent customer base. The attractiveness of this acquisition was enhanced by the ITSO accreditation which now allows the group to tender for a wider range of contracts.

NORTHERN MAIL

Northern Mail is a postal operator providing full postal services including print production, mailing and delivering millions of finished postal items annually, along with the collection and sortation of mail. Since joining Paragon, Northern Mail has continued to provide this mail collection service, enabling clients to make substantial postage savings.

In addition, as part of our business process outsourcing activities, we acquired a portion of a major systems integrator and BPO service provider that is specifically focused on handling large volumes of inbound and outbound communications across multiple market sectors. This strategic partnership has added significant value to our operations with acquisition of assets, transfer of staff, and contracts to supply major customers in the public and private sector. Post balance sheet, Paragon completed the acquisition of Docsellent GmbH, one of the leading providers of physical and electronic document output in Germany. The excellent customer base and technological performance of Docsellent aligns effectively with Paragon and builds on our existing strong direct marketing offer in Germany.

**"Our vision –
Buy, Build & Grow –
allows us to compete
effectively as we offer
a future to the
companies we acquire,
their staff and
management."**

John Rogers
VP Corporate Development



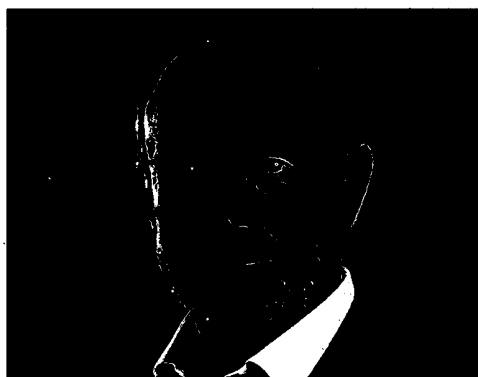
Paragon business review



Paragon business review

A year of significant change, with major integration projects and important investment in new plants and technology. In the current year we will continue to restructure to achieve a significantly lower cost base and production capabilities aligned with our clients' evolving requirements.

“Our strong regional presence close to our clients greatly enhances our ability to serve them.”



Seán Shine

Chief Operating Officer

Continued profitable growth

Paragon Group's growth strategy is to attain a leading position in each of our chosen sectors and geographies by building market share, industry specialisation and depth while increasing scale and profitability. Our strong regional presence close to our clients greatly enhances our ability to serve them.

This geographic focus saw the Group add more than €150 million to our proforma turnover in the UK, propelling Paragon to a leading position in the customer communications sector there. This growth was largely attributable to the acquisition of DST Output, as well as winning major outsourcing contracts to handle inbound and outbound communications for public and private sector clients. We will continue to pursue this strategy of geographic and sector focus in the coming financial year, with specific growth objectives in our major European markets.

The acquisition of ASK during the financial year brought us into the personal identity (e-ID) space, producing highly secure and sensitive items such as inlays for electronic passports and ID cards.

We have significantly enhanced our offer in the data analysis space, augmenting our capabilities in the insight, planning and digital marketing arena.

We have also invested in significant high-technology production facilities in Argent-sur-Sauldre in France and opened a new facility in Bucharest, Romania, more than doubling our high-speed RFID inlay production capabilities.

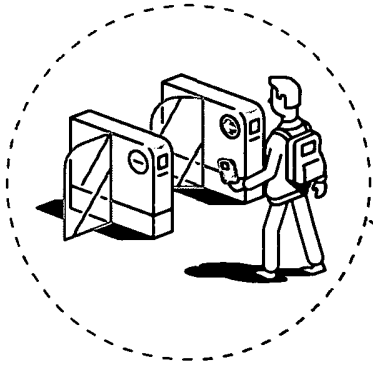
Organising for success

We have focused on evolving the structure of the organisation. The acquisitions we made during the year added strength and depth to the offering across the group, leading to a clearer focus for the three divisions we operate:

Paragon Customer Communications enhances the customer experience for our clients' customers. We previously described these services as Document and Marketing Solutions. The major acquisition of DST Output, alongside our smaller acquisitions and the development of our inbound BPO solutions, has given this division greater clarity in our positioning as a customer communications service provider and provides a platform for strong organic growth.

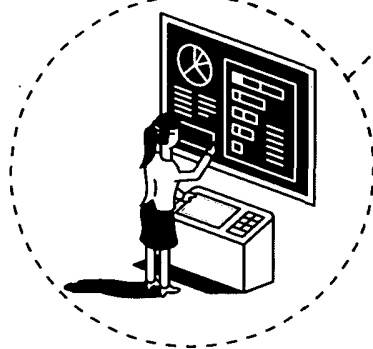
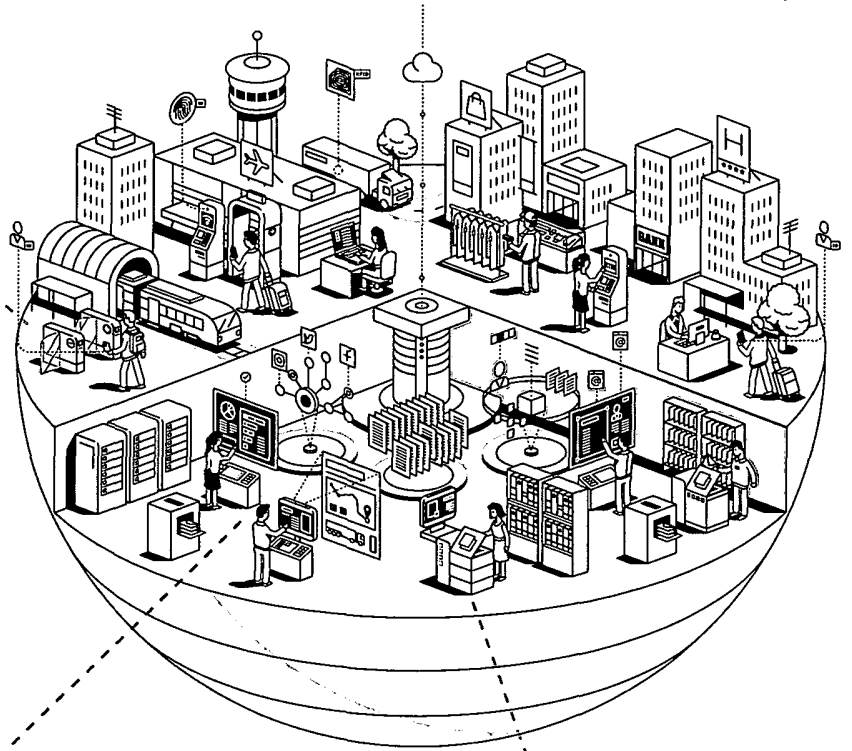
Paragon ID is a leading provider of contactless technology such as RFID. The addition of ASK SA was a very significant step forward for the ID division, bringing the Group into the area of personal identification with production of inlays for electronic passports and ID cards. It further strengthened the Group position in RFID ticketing and brought the division to a significant scale within its sector.

Paragon Graphic Services is a highly responsive customer-centric business that offers on-demand reprographics and digital printing with a focus on immediate service from local production. This business comprises individual, locally strong brands.



Paragon ID

“ We have focused on evolving the structure of the organisation, leading to a clearer focus for the three divisions we operate. ”



Paragon Customer Communications



Paragon Graphic Services

Operational highlights in the financial year include:

Paragon Customer Communications

The smooth transition and short-term integration of the former DST business into the Group, represented our biggest integration to date. The business was re-branded with great speed and efficiency, with the bulk of changes made on day one. Ongoing activities are focused on the rapid integration of systems, teams and culture. As part of this, we have reorganised our business in the UK and expect this work to complete in 2018. We will rebrand to Paragon Customer Communications in France, Germany, Benelux and our production facilities in Eastern Europe in early 2018.

In France, we successfully integrated D’Haussy and Rault-EPPE. We have reconfigured our production capacity to more closely address our customers’ requirements and we continue to build out our technology solutions. This year will see additional industrial restructuring and we expect to consolidate locations to reduce our cost base significantly.

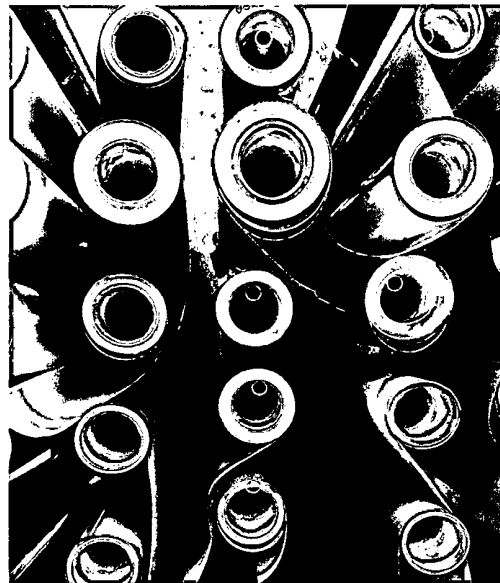
We accelerated the shift to high-volume, high-speed digital output in Schwandorf, facilitating a move to data-driven, highly individualised communications. The addition of the latest Kodak Prosper technology further extends and complements the extensive personalisation capabilities and know-how in the business, with each individual mailing completely individualised to the recipient based on data-driven insights and modelling.

Following a long project, our UK operation in Dagenham achieved Payment Card Industry (PCI) standard – the very highest level of production security.

Paragon ID

We have a number of significant restructuring projects underway which will result in a more balanced production across Paragon ID. Ultimately, our research and development and design centres will be located in Nice and our major production facilities in Argent in France, Romania, the UK and the US.

“ Paragon ID invested heavily to more than double our RFID inlay production capacity at our Argent-sur-Sauldre site in France. ”



Paragon ID invested heavily to more than double our RFID inlay production capacity at our Argent-sur-Sauldre site in France and move to a new, custom-built facility in Romania.

In a significant project highlight, Paragon ID worked with Hasbro to develop and produce the first large-scale near-field communication card project in the gaming industry. Moving from concept to delivery in under six months, we scaled up rapidly and collaborated with other parts of the Group to produce millions of smart playing cards.

Paragon Graphic Services

Paragon Graphic Services successfully launched additional online channels in three markets to give our customers more options to trade with us online. These webshops for Holmbergs, Allkopi and Paragon Service Point UK are integrated with our production systems and feature advanced pre-flight checks on customer artwork to smooth the order process.

In Sweden, we consolidated all our operations from four centres to a single plant in Malmö and integrated the Nya Ljus business into Paragon Group.

In Norway, we moved to a new central plant in Oslo, successfully integrated Allkopi and Netprint and reduced overall number of locations by combining branches with overlapping territories.

In the UK, we conducted a strategic review and developed a repositioning plan with a focus on increasing sales and penetration. This will be implemented in 2018.

Looking ahead

During the 2017/18 financial year, we have initiated a series of large-scale restructuring projects which will reduce our costs and increase our responsiveness to client demands.

These projects will have a significant impact in our operations, including:

Paragon Customer Communications

- Realigning our plants in the Czech Republic, France and the UK

Paragon ID

- Restructuring operations in France, Romania, the UK, the US and China to create an integrated global capability

Paragon Graphic Services

- Significant work in our UK Service Point business and continuing our focus in Norway, Sweden and Spain.

Seán Shine

Chief Operating Officer

“ During the 2017/18 financial year, we have initiated a series of large-scale restructuring projects which will reduce our costs and increase our responsiveness to client demands. ”

Paragon

Customer Communications

Enriching the customer experience



Enriching the customer experience



Closing the loop: inbound and outbound customer communications

Operating internationally, Paragon Customer Communications enables targeted two-way communication between our clients and their customers.

From delivering a single local door drop campaign to developing a global, industry-leading, automated, multi-channel communication platform, Paragon Customer Communications helps clients of all sizes and across most sectors.

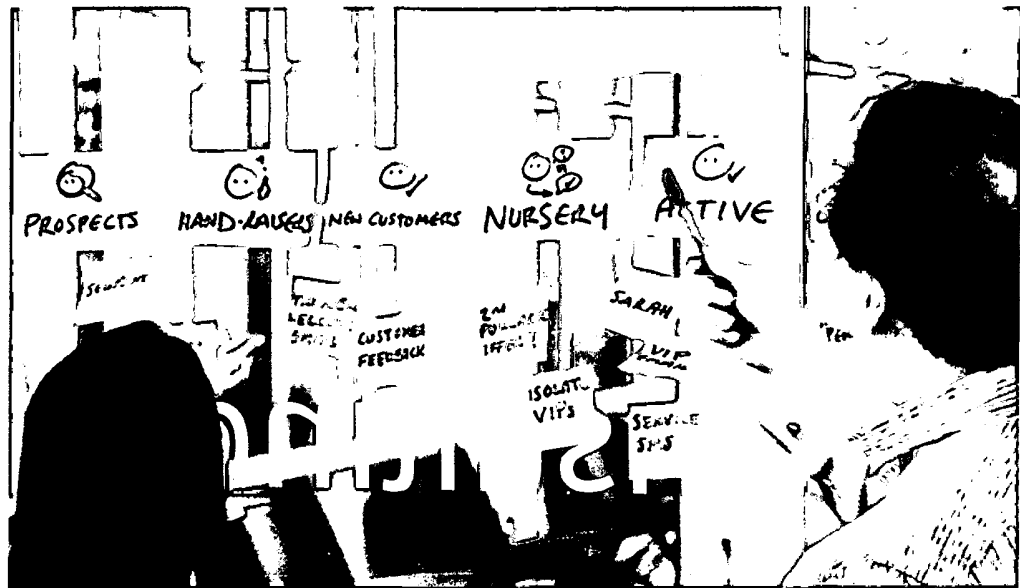
We plan, create, deliver and integrate all aspects of customer communication: marketing, such as direct mail or email; transactional communications, such as statements, invoices and reminders; regulatory communications, including pension and investment statements; customer service messages, such as

SMS updates; and the fulfilment of a customer's requests and requirements, from online access to documents to mailing out complex physical items.

From manufacturing equipment to marketing automation, we use the latest technologies to create ideal customer journeys that successfully achieve our clients' and their customers' goals.

This begins with data and digital services to understand each customer and give them a smooth, consistent experience across all channels – timing

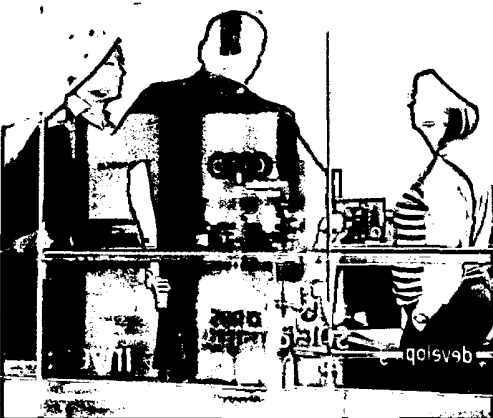
“Our average relationship for our top 100 clients is over 15 years.”



and optimising communications according to their wishes and, where appropriate, automating communications to meet the rapid response times and service levels they demand.

Our production capabilities are unrivalled, allowing us to create printed and digital communications that are of the highest quality, dynamic, personalised and efficient. Our suite of production solutions also give our clients valuable, near real-time understanding and control of their campaigns. We deliver continuous improvement and innovation as part of any contract, ensuring our clients can evolve rapidly to meet the expectations of their customers.

Paragon Customer Communications' success lies in our ability to form close, long-term partnerships with our clients – our average relationship for our top 100 clients is over 15 years. Each client is assigned a dedicated team to oversee their entire communication world, which allows us to help them achieve and exceed both their immediate needs and long-term goals – from managing cost, compliance, quality and supply chain complexity through to digitising, providing exceptional customer experience and future-proofing their success.



Data analysis and insight

- Customer segmentation based on lifestyle analysis
- Solution design
- Creative design

Managed services

- Inbound customer communications
- Scanning and digitisation
- Management of multi-channel election processes
- BPO, including onsite management of print and digital mailrooms
- Supply chain management

Digital services

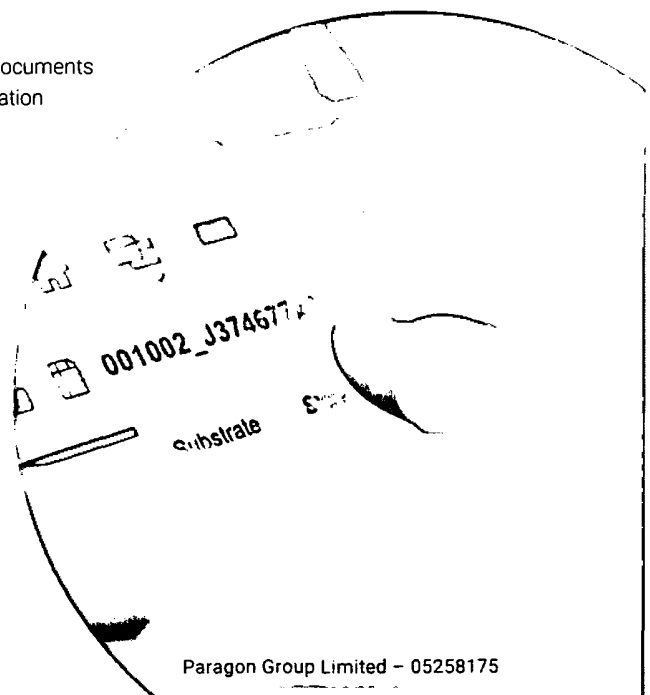
- Email and SMS marketing
- Marketing automation and triggered communication programmes
- Online portals and eDocument
- Electronic registered mail
- Campaign reporting

Secure documents

- Financially regulated documents
- Sensitive client information
- PIN mailers
- Payroll information

Print services

- Transactional and regulatory communications
- Creative direct mail
- General print and stationery
- Doordrops





Jeremy Walters

CEO of Paragon Customer Communications UK

Acquisition of DST Customer Communications

The acquisition of the DST Customer Communications in the UK was a major step forward for the group. This successful operation is a long-established and highly respected market leader in its sectors, including serving more than 20% of the FTSE 100, some two-thirds of the top financial advisors and many of the UK's best-loved and best-known consumer brands, charities and government campaigns. We are delighted to welcome so many talented and dedicated people to Paragon as well as important, long-term customers.

The creation of the Paragon Customer Communications division brings increased focus and clarity to our proposition as well as significant sophistication in our capabilities in data services, digital marketing, print production, secure regulatory communication and hyper-personalised transactional communications.

Jeremy Walters is CEO of Paragon Customer Communications UK, having previously held this position within DST Customer Communications before the acquisition by Paragon in May 2017. Having come to senior management via roles as a Sales Director, Jeremy's background gives him an absolute customer focus for all Paragon Customer Communication's activities.

**Jeremy is very bullish about the future.
In his own words:**

"I am delighted to be part of the Paragon Group, with its commitment and pedigree in the communications industry. Having been in the business for a significant number of years, I firmly believe this is one of the most exciting times for our industry – with an increasing demand for the more intelligent and sophisticated communication solutions that we provide.

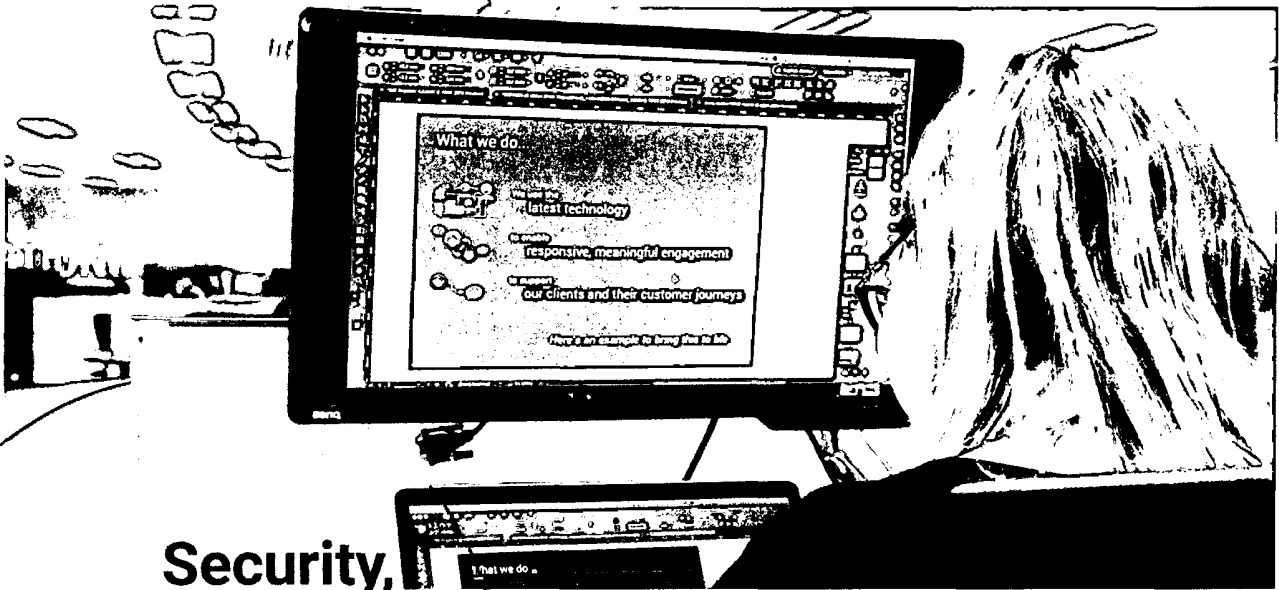
As an enlarged business we offer an expanded, full range of integrated solutions. However, it is not enough to just offer these solutions: we need to join them up to help our clients deliver a seamless communication experience for their customers. To do this we need a combination of technology, people and vision. In my previous role of CEO of DST, I helped instil an ethos of service excellence: not only in terms of how we handle a client's existing business, but also imparting knowledge to help them drive their business forward. This ethos is continuing in our new-look company.

Paragon Customer Communications UK boasts a team of over 1,600 talented individuals who not only understand but also help change the way our clients communicate. We are increasingly seen as a true partner to our clients. We help them understand their data to build customer journeys that maximise the lifetime value of their relationships.

We offer both print and digital services to ensure that we reach customers by their channel of choice. And we close the loop with our outsourced managed services, so our clients can work with a single team to deliver a joined-up approach. All of this is delivered within one of the most secure yet innovative environments in our industry.

Our strategy is winning us business from even our strongest competitors – and, through our customer service excellence and sharing of knowledge, is helping us grow our business with existing clients too, as we help them grow their own businesses and achieve their most ambitious communication goals.

I am delighted by how the newly integrated teams are working together to help us take advantage of our enviable position in the market – and look forward to reporting in a year's time on how our business has continued to grow and how we continue to help our clients and the broader communications industry evolve."



Security, Compliance, Transformation our fundamental principles

Our approach results in transformative projects that deliver a competitive advantage for our clients

Compliance and the General Data Protection Regulations (GDPR)

Compliance is a business-critical factor for Paragon and a true area of expertise and service excellence. With GDPR set to tighten the regulatory environment for personal data, we augment our market-leading position for producing the most sensitive customer communications with expert advice on the coming regulations.

Security and integrity are vital to our clients and their customers and are deeply embedded in our culture and heritage. After decades as the acknowledged leaders in transactional and regulatory communications, we now boast the highest level PCI compliance alongside ISO 27001, GDPR expertise and risk management excellence.

Transformation

Our Business Transformation model is built around continuous improvement and innovation, allowing us to proactively lead our clients through rapid evolution to the most exciting communication capabilities possible.

Here are a few examples of how we help our clients:

Giving a major automotive brand a true view of its customers

Multiple data sources and customer touchpoints combined to give our client a single customer view for the first time. New, deep insight and customer profiling is used to enable much more targeted and effective campaigns to be planned and executed across complex multi-channel journeys for specific customer types.

The acknowledged leader in transactional and regulatory communications

Paragon Customer Communications boasts a long and rich pedigree as the leading transactional and regulatory communication provider in the UK and one of the leading providers in Europe.

We ensure that business-critical communications such as bank statements, bills and highly compliant documents are created and delivered with absolute security and accuracy for banks, utility and telecoms companies, insurance firms and financial service providers.



We do this at high volume and high quality, in print and increasingly online via our eBilling platform, sending hundreds of millions of communications per year.

Targeted direct marketing

Paragon Customer Communications is the leading direct mail producer in Europe, creating many hundreds of millions of packs per year and developing thousands of different formats – from the most simple to complex, personalised 3D experiences.

As a medium that is rapidly evolving to hyper-personalised, premium quality and digitally-integrated mailings, the market outlook is positive – with forecasts for the direct mail market to increase in value through 2020, even as overall page count decreases, as personalisation and format innovations give clients ever more opportunities.

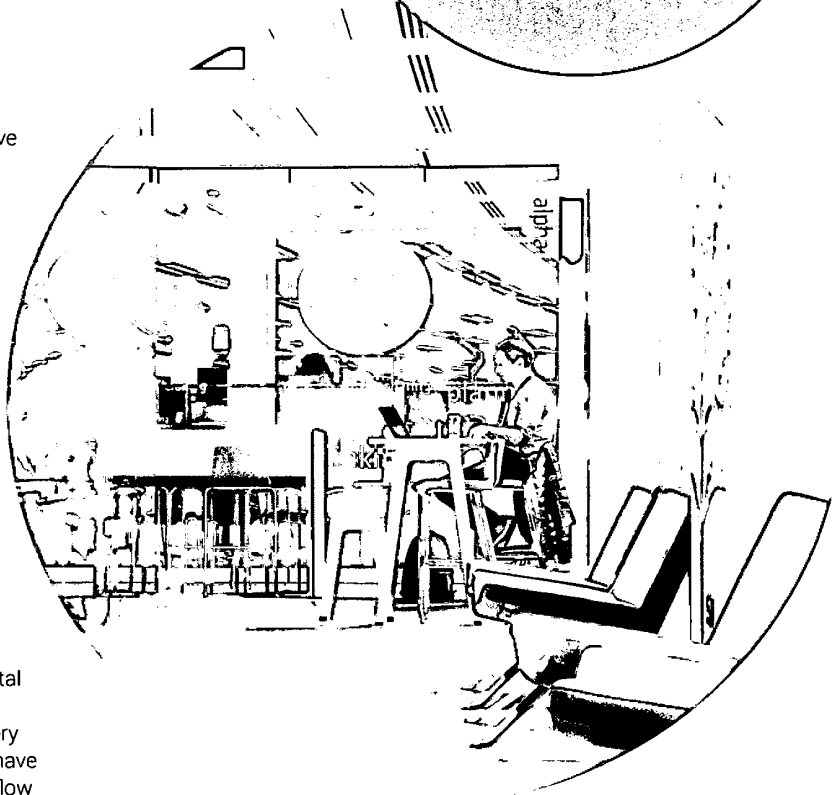
Putting tailored marketing materials in the hands of local branches

Our marketing portals enable individual branches and stores from many retail, hospitality, automotive and other brands to order tailored, high-quality, on-brand marketing materials themselves, as and when they need it. This gives them a new level of control, responsiveness, efficiency and effectiveness.

Helping a leading insurance group serve its customers

We have created and continue to manage a digital mailroom to improve customer service and experience across multiple brands, each with very different needs. Paper-based communications have been digitised and combined into a single workflow to speed up response times to customers and make it easy for our client to act.

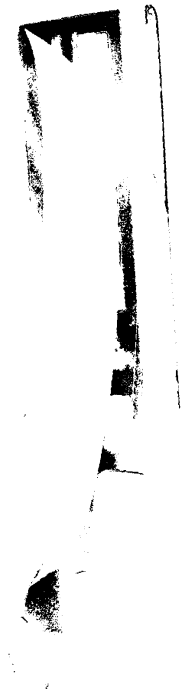
**Outstanding
portfolio of
international
clients.**



Paragon ID

Paragon ID

Secure the technology of tomorrow



Secure technology for a connected world

2017 saw significant progress for this division: a move into the e-ID sector, geographic expansion into the USA and a new facility in Romania amongst the highlights. In May, we completed the acquisition of ASK SA. The entire division is being brought together under the name Paragon ID.

Paragon ID has two main areas of operation, People ID and Product ID

People ID

Electronic identification (e-ID)

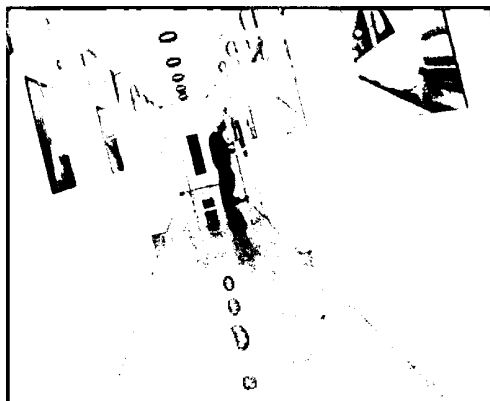
E-ID technology makes electronic passports, ID cards, driving licences, health cards and other smart documents work.

Paragon ID is a leading provider and proud pioneer in this rapidly growing market, with our own specialised, patented techniques for producing radio-frequency identification (RFID) inlays using silver ink. Some 19 countries already use our passport inlays.

By 2020, 55% of official documents in the world will be "smart", equipped with some form of ID technology. As our world rapidly becomes more digitised, connected and contactless, bringing Paragon ID's innovative secure e-ID capabilities into our broader group offering puts us in a very strong position for the future.

Transport and Smart Cities

Sustainable mobility is a key priority for any city: providing public transport that uses little energy, is environmentally friendly and is easily accessible to all.



Our solutions have been enabling these goals for over 100 years – and we now ensure the smooth and secure movement of people around more than 120 cities worldwide. We excel at collaborating with other organisations to integrate our innovative, smart technologies with existing systems, making digital transformation possible.

As well as magnetic travel tickets, contactless tickets and cards and other more traditional products, we also provide host card emulation (HCE) solutions (such as using a phone as a travel card) to help cities go digital.

Product ID

Traceability and brand protection

Paragon ID's technology protects brands from the \$500 billion counterfeiting market, which is affecting an ever-wider range of products and sectors.

Counterfeiting is a serious risk to public health, brand reputation and legitimate sales.

As experts in traceability and identification, Paragon ID pioneers the use of RFID, traceability, secure labels and NFC tags to track genuine products through the supply chain and protect customers against fraud.

Associated secure services

Paragon ID also provides secure associated services such as personalisation, data management, mobile solutions and embedded security applications.

Security is critical to Paragon ID, with ISO 27001 certification in place and highly secure facilities for the production of electronic passport covers.

Strong positioning

Combining the know-how of ASK with the wider Paragon Group services, Paragon ID offers an unrivalled range of contactless products, a unique technology platform and a global industrial base.



“ Paragon ID is a public quoted company with a controlling stake (77.5%) owned by Paragon. Under IFRS rules the statutory accounts are fully consolidated to group accounts. ”



45 countries
served

120 cities
worldwide

600+
employees

4 billion
journeys
per year

The strategic acquisition of the ITSO-accredited British company Burall InfoSmart in summer 2017 has further enhanced our offer to the transportation and access control markets. It allows us to better help our clients move from traditional tickets to smarter solutions such as RFID, smart cards and HCE ticketing, and reinforces our global e-ID production footprint, already established in France and Romania. This is in line with our strategy to grow and confirm our position as a true leader in identification solutions.

Global reach

Paragon ID has the geographical spread required to closely serve international clients. We have a solid industrial base, with over 600 employees in the US, the UK, Romania and France, and plan to grow further in key areas – including continental Europe, the UK and the US.

Multiple sectors

We also specifically tailor our solutions for the retail, health, pharma, manufacturing, logistics, luxury products and gaming sectors, providing innovative, secure traceability and brand protection solutions to leading organisations.

Building on a strong technological base

Paragon ID's unique secure contactless technology enables secure RFID to be embedded in all types of media, such as passports, ID documents, smart tickets and labels, smart cards and smartphones. These products are completed with a range of advanced associated services, allowing our clients to safely migrate to the digital world.

Research and development

We continue to strengthen our R&D team, in particular with the recruitment of web and app developers – allowing us to maintain our technological leadership in security products and contactless solutions while furthering our smartphone apps, data management and NFC authentication expertise.

Growth and innovation

We have invested heavily this year, in particular to double our Argent-sur-Sauldre site capacity in France to 400 million inlays per year, to give us the competitive edge and flexibility our clients require.

Paragon ID has strong development ambitions – with a plan to build on our proven experience of successful acquisitions and integrations alongside double-digit organic growth in contactless activities.

High-frequency RFID and NFC opportunities

NFC is revolutionising the way we interact with objects.

Nearly a third of the world's population – some 2 billion people – now have a smartphone that can read RFID/NFC tags. Since September, iPhone 7 and above models also have this ability – opening up the huge Apple-dominated North American market to contactless smartphone opportunities.

As an established leader in contactless communication through our experience in the mass transit and smart city markets, Paragon ID is ideally positioned and prepared for the global opportunities NFC will bring.

“ **Some
2 billion people
now have
a smartphone
that can read
RFID/NFC tags.** ”



Julien Zuccarelli

CEO, Paragon ID

Julien was appointed CEO at Paragon ID at the end of April following the merger between ASK and the Identification division of Paragon Group. He joined ASK as CEO in March 2014 having previously held management positions in various international groups such as Atos, Schlumberger, Bull CP8, and Morpho Cards (Safran group), where he was Deputy CEO. He was also Chairman of the Management Board of Numen, a company specialised in secure document personalisation, BPO and paperless solutions. Julien graduated from ESCP Europe in 1983 and has more than 30 years' experience within the smart card sector.

Speed with security

Life is getting busier and faster and people want the best of both worlds: immediate access and service with absolute security.

Fast connections, fast lanes and fast payments are the new normal – at cash machines, passport control, subway gates and checkouts.

The big challenge for businesses, cities and governments is to meet these increasing expectations – and get it right every time, efficiently and economically.

Trust, too, is vital for commerce and day-to-day tasks: but as the digital revolution reaches every aspect of our daily lives, so too do the risks of fraud, counterfeiting, hacking and identity theft.

Leading the contactless revolution

From China to the US, Europe to South Africa, our 600 passionate Paragon ID colleagues show true commitment and brilliance to solve these challenges for our clients.

Our combination of talents is incredible – from software, hardware, security, data management and mobile apps to physics, chemistry, plastics and more – and it is no coincidence that this diversity has allowed us to lead the contactless revolution.

Acquisition of ASK


ASK is a very significant addition to the Paragon Group, having been acquired in May 2017. The acquisition brings Paragon into new market segments of personal identification products and services, such as electronic passports and ID cards. In addition, our position in our core markets was strengthened significantly, with greater depth added to our offering for transport and smart cities. The acquisition also adds a manufacturing and development base in the USA, giving the Group a stronger presence in a market where we have long held many prestigious contracts, as well as adding to our growing expertise in delivering mobile-enabled solutions such as host card emulation (HCE).

Over years of research and development, supported by our global manufacturing, we have created a full range of best-in-class contactless solutions and become adept at putting them into a wide range of applications with the greatest security, efficiency and capability.

Our experts continue to innovate the way people and products move. We provide fast, safe public transport in over 120 cities, e-passports in 19 countries and e-ID cards for many other situations; while our security tags and traceability services track millions of healthcare treatments, retail items, luxury goods and more through global supply chains to ensure the products you use are genuine and safe.

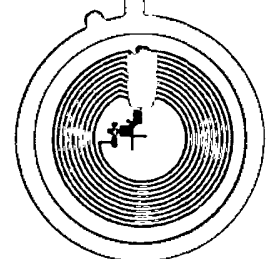
We are proud to work very closely with our diverse client base and excel at collaborating with other organisations and specialists to integrate our solutions with existing systems to make rapid digital transformation possible.

With NFC technology now enabled on recent iPhones, beacon infrastructure spreading and the "Internet of Things" networking everyday objects, the opportunities for our smart technologies are endless. Paragon ID is already leading the way – perfectly placed to support our clients' digital ambitions and achieve our own ambitious growth plans for a very bright future.



Tap the inlay
below with an
NFC enabled
phone for more
information

RFID is a key technology for the
connected world of the future –
found in billions of smart cards,
tickets, labels, tags and products



The inlay (antenna plus chip) on this page is a real example of the millions that Paragon ID produces every year. The chip can be encoded with a variety of information, from a simple URL to detailed personal information.

Pharmaceutical

Our technology helps patients and medical professionals know they are using a genuine, safe product.

An NFC tag inside the box tracks the product from production to the point of use, with information securely encoded so only the customer can read it, via an app, and approved distributors can check product authenticity.

The RFID tag security level is much higher than other devices such as holograms, provides deeper insight into supply chains, and can enrich customer databases.

Health

Our products are used to safeguard and improve the blood donation system. An RFID label is attached to each blood bag at the point of donating and is enriched with securely accessible information about collection, sterilisation, testing, checks, transportation and more - right up to the moment the blood is given to a patient.

Games

Paragon ID is supplying NFC-enabled cards for global games giant Hasbro's innovative new music game, DropMix.

These cards let players create musical mash-ups using vocals, bass, drums and other parts of top tracks, producing a highly dynamic and fast-paced game.

Paragon ID produces the RFID inlays containing NXP's ICODE chips, prints and packages the cards. We worked closely with NXP to bring a new, higher standard of NFC gaming cards to the market to deliver the ultimate gaming experience.

This latest project shows Paragon's continuing evolution, bringing innovative solutions for NFC applications in new sectors.

Smartcards

We already use our patented processes to provide secure, innovative passport RFID for 19 countries, including the UK, France and USA, and are further expanding our smart card services from our new highly secure, custom-built facility in Romania.




Paragon Graphic Services





Agile, digital driven production



The Paragon Graphic Services Division combines our businesses which share a focus on highly responsive digital print production along with supporting services. Sharing best practice and management skills across the division will enable greater growth and profitability for the future.

Shift to digital

Paragon Graphic Services is focused on short run, fast turnaround and highly responsive digital production: including books on demand, large format printing for display and fine art reproduction, reprographics for trade printing services and the architecture, engineering, construction and retail sectors. More than 90% of locations in the division run digital-only print production, and this shift to digital is supported by design and visualisation services and 3D printing capabilities.

The division

The division is composed of a network of local brands with excellent brand recognition, while remaining part of the global Paragon Group network. It encompasses a number of established brands located in the UK, Norway, Sweden, Spain and the Netherlands.

Retail and business-to-business

Our on-demand printing services are targeted predominantly at local customers in various industries. These clients range from individuals and smaller businesses to large blue-chip companies and public sector bodies, and benefit from our local production to meet their same day or next day requirements. Local production is supported by the wider Paragon network.

Design and Visualisation

Design services are available across the network, with a combination of locally delivered design services and centres of excellence.

Paragon Graphics incorporates Paragon Studios, a bespoke digital agency which primarily creates CGI imagery and virtual reality content for multiple markets including the leisure, automotive and construction industries.

We also have a growing business in corporate décor, particularly in Norway where we have completed a number of prestigious projects. We see continued potential in this area for the future.

Alignment and development of our business

During the financial year we completed a number of tactical acquisitions to complete our offering, expand geographically and consolidate the market. In Sweden, we acquired large format specialist Nya Ljus to expand our customer base and production capabilities in retail display products. In Norway, we acquired Netprint to make Paragon the pre-eminent reprographics company in the market.

“ Paragon Studios creates CGI imagery and virtual reality content for leisure, automotive and construction sectors. ”



Paragon Graphic Services Online

Shift to Online

We have set up new webshops in the UK, Norway and Sweden to improve our customer's online experience and generate increased revenue. Online sales have been migrated to a new, custom developed platform, built on Paragon Group's own technology platform and integrated with local IT and production systems for improved production efficiency.

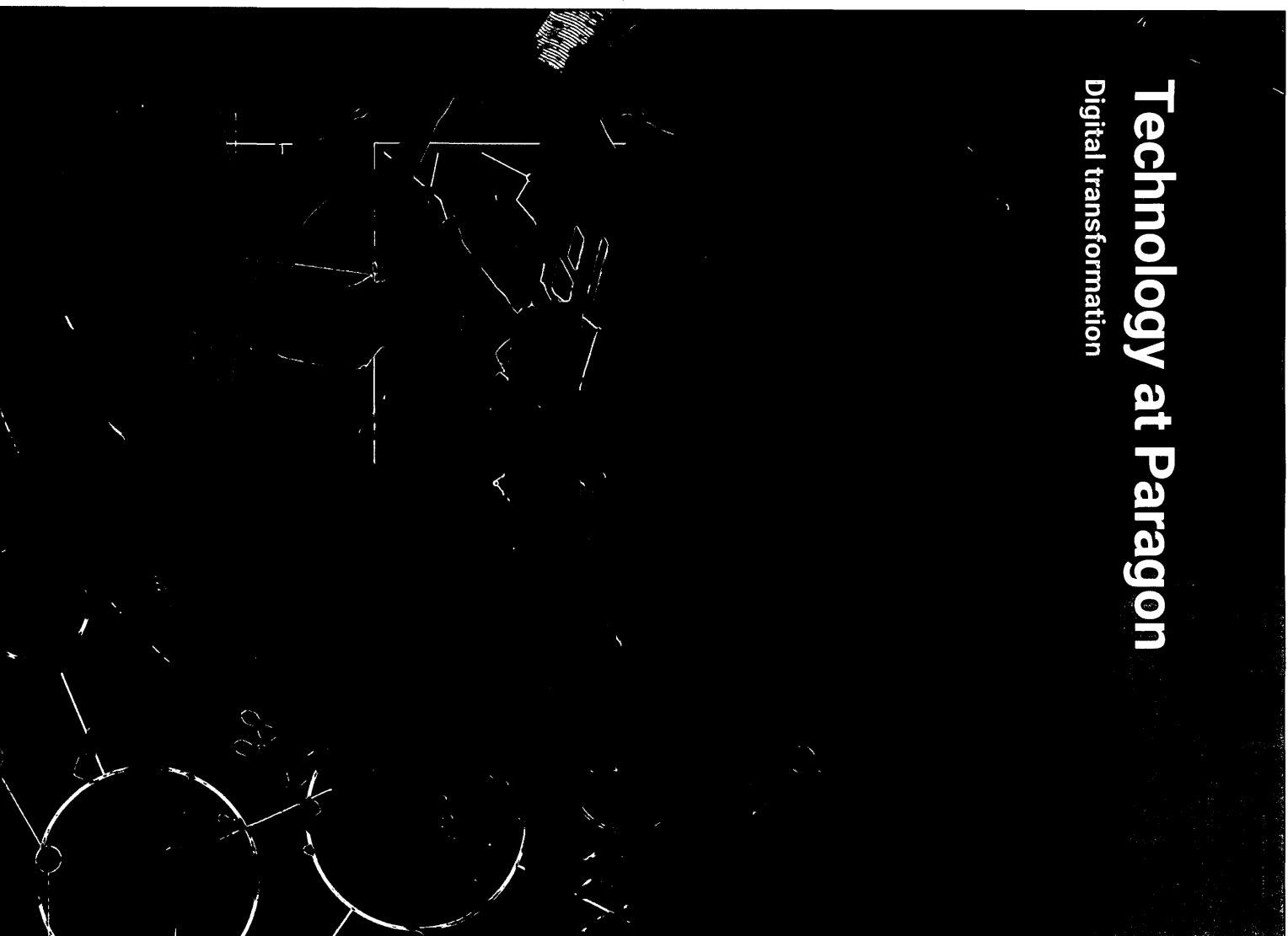
Our online channel encourages greater interaction with our customers, streamlines the order process and increases sales, while giving our customers a 24/7 ordering facility that is simple and cost effective.

Developing this sales stream is a key strategic focus for the future.



Technology at Paragon

Digital transformation



Digital transformation

Technological leadership is a key pillar in Paragon's strategic objectives, underlining our position as a front-runner in secure, technical solutions.

Continuing Progress

During the year, we continued our strategy of developing our technology footprint in three different ways:

- Technology for client facing applications. Typically, these are revenue-generating applications, developed in-house
- Technology embedded in products such as smart cards and passports, using our own patented technology as well as industry standards
- Technology related to automation and cost reduction, most often using best-in-class technology from proven partners.



Client facing

Paragon develops its own systems to ensure flexibility and agility when working with clients – providing the services they need at the moment they need them. Our core 'PEP' system has been in development for more than 15 years and now has in excess of a million registered users across hundreds of client contracts. Our development roadmap for this system reflects specific client wishes as well as our own vision for the future. Within this area we also have proprietary solutions for supply chain management (MarketPower and PEP-PM), an online platform for document management and version control (Project Vault) and platforms for electronic and scanned legacy documents (Archive).

A highlight of the year was the expansion of our online sales channels: with our PEP technology platform used to launch self-service online print buying sites in three countries, serving SOHO (Small Office, Home Office) and SME (Small and Medium Enterprise) markets and featuring a sophisticated online proofing system to streamline the ordering and production processes.

Embedded technology

Recent acquisitions have massively increased our capacity for card inlay manufacturing and expanded with our patent portfolio and proprietary technology.

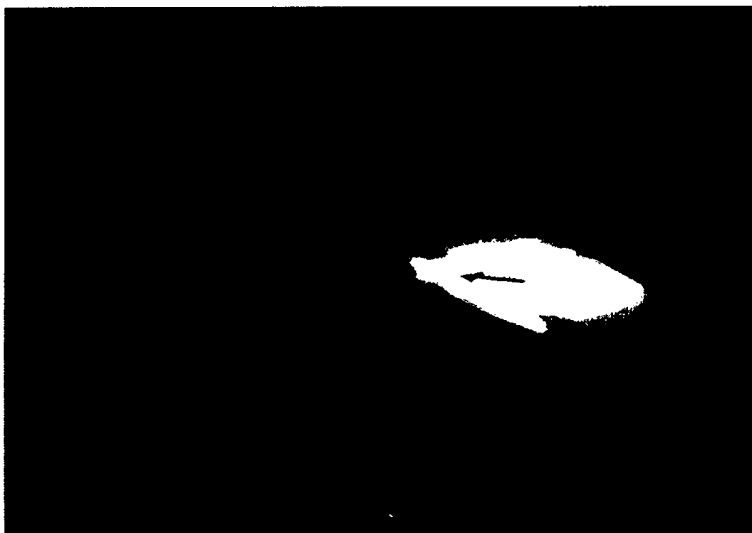
Paragon ID has built on last year's significant investment in antenna and chip connection by acquiring ASK, a company specialising in secure contactless solutions for security-sensitive applications. This has expanded our software development team along with our patents portfolio and proprietary technology such as the deposition of silver inks in antenna printing. ASK has increased our presence in the mass transit sector and has also given us a new presence in high security applications, such as providing chipped passports to 19 countries.

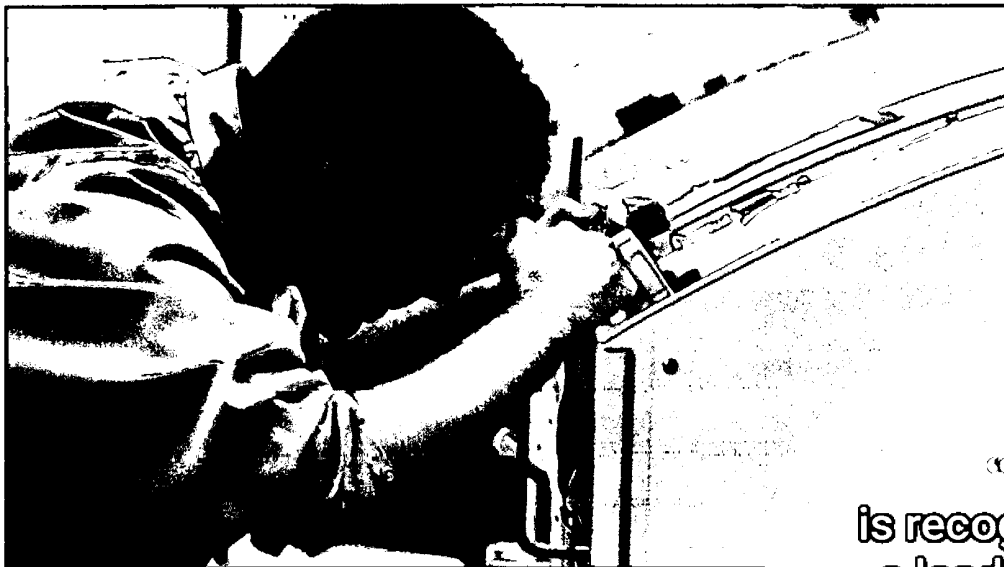
Efficiency and automation

We benefit from strategic partnerships with technology leaders at the forefront of business process automation, such as IBM, Xerox, Microsoft and Quadient, to deliver cost savings for both Paragon and our clients. In our production facilities, our proprietary and market-leading technologies drive internal automation and efficiency, while our delivery of electronic communications has been boosted by our migration to the IBM Watson marketing automation platform.

Our work to deliver digital transformation to our clients increasingly relies on artificial intelligence applications and robotic process automation. We aim to deliver straight-through processing for inbound communications, using the latest technology to deliver significant cost savings and greatly improve customer experience through shorter response times and a reduction in errors.

**we deliver
millions of
emails for
clients,
365 days
a year.**





“ Paragon
is recognised as
a leader in data
security and
compliance ”

Research and development

We are engaged in a continuous programme of research improvement and development in our own use of technology. Programmes are under way for technology platform harmonisation, upgrades and standardisation. Technology investments for the Paragon of the future include factory automation, marketing automation, robotic process automation and big data financial modelling and analysis.

Paragon Customer Communications has developed a significant increase in production and scale along with new capability in big data, artificial intelligence, behavioural analytics and virtual channels.

Our research and development capacity has increased significantly across the group in the last two years, with close to 100 staff in multiple locations in Europe as well as support from offshore development teams in Ukraine and India. In mobile app development, we have released new brand protection technology, boosting our identification and traceability capabilities.

Paragon's adoption of technological advancements such as the Internet of Things (IoT) has allowed our developers to create solutions for the connected world. For example, our RFID (Radio Frequency Identification) and NFC (Near Field Communication) applications enable blood bags to be traced from the moment of donation to the transfusion to a new donor, helping to save lives around the world.

Data and compliance

Central to our technology strategy is the correct management of data, security and risk. Paragon's roots are in secure document production, dating back to the foundation of the Paragon Check Book company in 1886, and this focus on security and integrity is firmly fixed in our DNA.

We recently attained PCI (payment card industry) attestation in the UK, the highest level of production security, which gives us a strong market position in fulfilment for the sector. This comes at a critical moment in the market where sensitivity and awareness are heightened after well-publicised cyber-hackings and thefts of customer records.

With the introduction throughout the EU of GDPR (General Data Protection Regulation) in May 2018 as a new legal framework to increase consumer data protection, we have been leading the way in adopting the new, more stringent standards before they come into effect. This requires strict compliance in managing customer information and ensuring international consistency with our businesses and services across borders.

As a result of our approach, Paragon is establishing itself as a leader in data security and compliance, establishing two new secure data centres in the UK and providing GDPR advisory services to help our clients meet the constantly shifting challenges of data management, security and compliance.



Our people



Graduate scheme

Graduates are key to the long-term success of our business. Our Graduate Programme offers a unique opportunity for talented individuals within any discipline to gain business-critical insight and quickly develop their knowledge. This includes fast-track training and development across multiple disciplines to gain a broad understanding of the Group. Graduates are given significant responsibility early in their careers with the chance to live and work across our international network.

Award-winning apprentices

We have an active apprentice programme in place in our key countries. Our apprentices move around different departments and sites, shadowing a variety of roles whilst working on real projects with real input.

We give apprentices the chance to learn on the job in their chosen area – from printing, finishing and maintenance engineering through to project management, human resources, marketing and other office functions.

In addition to the outstanding performance and contributions of all our apprentices across Europe, congratulations to Benjamin Charman and Hamza Loonat, who outclassed some 270 others to win *Apprentice of the Year* awards.



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 in training our people and developing their careers.

We have a flat hierarchy where senior management are involved in day-to-day operations. We encourage the free flow of information between all members of the Paragon community and make use of online communities and tools to facilitate collaboration between teams and across borders.

We welcome ideas from all levels of the organisation and these are an important part of our commitment to continuous improvement and innovation.

“ We work to foster international teams and cooperation across a range of disciplines. ”





Informing and involving our workforce

The Group is committed to involving its employees in the decisions that affect them, including holding regular meetings between local management and employees, and would like to thank all employees for their contributions in the past year.

Our international and local newsletters, intranets and regular senior management Town Hall meetings also keep our teams up to date with all aspects of our business.

We are confident that our employees are capable and motivated to ensure a successful future both for themselves and the Group.

Rewarding achievement

Throughout the Group, we look to recognise and reward teams and individuals that make a particularly outstanding contribution to our success

– including with Employee of the Month and Employee of the Year accolades at individual sites.

Our Bristol team exemplifies this commitment to our highest achievers, naming one of its meeting rooms after its Employee of the Year, Andre Buckley, who also got to choose the local charities to benefit from the site's five-day programme of fundraising games and activities.

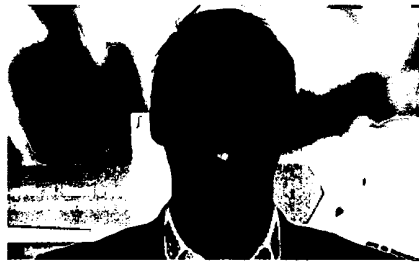
Supporting our communities

All across the Group, we support employees in their community and charity efforts, including hosting fundraising efforts at individual sites.

**and sales in 45
countries
worldwide**



"The weeks are never the same, there are always new things to do and learn, it is very rewarding."



"I believe the potential within the company is phenomenal."



"What I enjoy the most about working in Paragon is the local and international team spirit. We are always willing to help each other. It's great to have such an open communication."



"My proudest achievement is winning our first print management tender in Spain with the help of international colleagues."

"My motto: Be passionate about what you do and smile to keep more focused!"



"I'm most proud of being part of a world leading RFID supplier with the resources and skilled workers to allow me to develop new innovative solutions for our customers."



"I am big fan of technology. My work is truly exciting and gives me the opportunity to develop my skills."

"Paragon Transaction is a close-knit company with prestigious clients and strong potential in different market sectors."



"I enjoy a Wednesday just as much as a Friday."



"Working with people with broad competence and knowledge is one of the benefits of working with Paragon Group."



"The most successful thing I've done was to organise the 2 political primaries elections in France."



"My work at Paragon is challenging with a lot of variety which makes every day interesting."

"I have designed this annual report that you are reading, and I hope you like it."



"The focus this year is to implement clear sales strategy, reorganise and streamline the value chain for growth and profitability based on our strategic goals."



"I am proud of the fantastic team that I work with and their commitment to our customers."



I am most proud of our people (I really am).



"I am happy to work for such a large company with so many opportunities for learning and training."



"I am most proud of the large scale of impact we have made on healthcare environments, and the nice feedback we get from the patients."



"I've been with Paragon Group for 18 years now and my interest is the same as my first day. I have been part of some very exciting and successful projects."



"The thing I enjoy most about working at Paragon is solving client challenges and adding real value to their communications activities end-to-end."



"The project which has given me the most satisfaction is the acquisition of DST by Paragon. I've loved seeing the rebranding take effect."

"The innovation, continuous improvement and agility really makes Paragon an exciting place to work."



"You can try to challenge me on this one, but I have the best team you can imagine."



"I am lucky to have seen Paragon grow and expand over the years. It is amazing to see that there are now over 5000 of us."



"I've been proud to participate in the development of a service and solution culture at Paragon France, as we were mostly an industrial company when I joined."



"I'm really enjoying working with the Sunderland team, everyone has made me feel very welcome!"

"It is simply incredible how much everyone is ready to help in implementing new projects."



"I'm proud of my strong and solid team that we have here in Paragon Romania and the fact that together we achieve successful projects."



"I am most proud of the fact we have survived the difficult times and were able to create a fantastic new company with a healthy base."





∞ We are
committed to
giving fully equal
opportunities to
all people

A multicultural company

Paragon is an international and truly multicultural company, with significant operations in Europe and around the globe.

Understanding and working with differing cultures as well as working within the Paragon corporate culture are factors contributing to our success and our Group management team has broad international experience to support this; we work to foster international teams and co-operation across a range of disciplines.

Equal opportunities

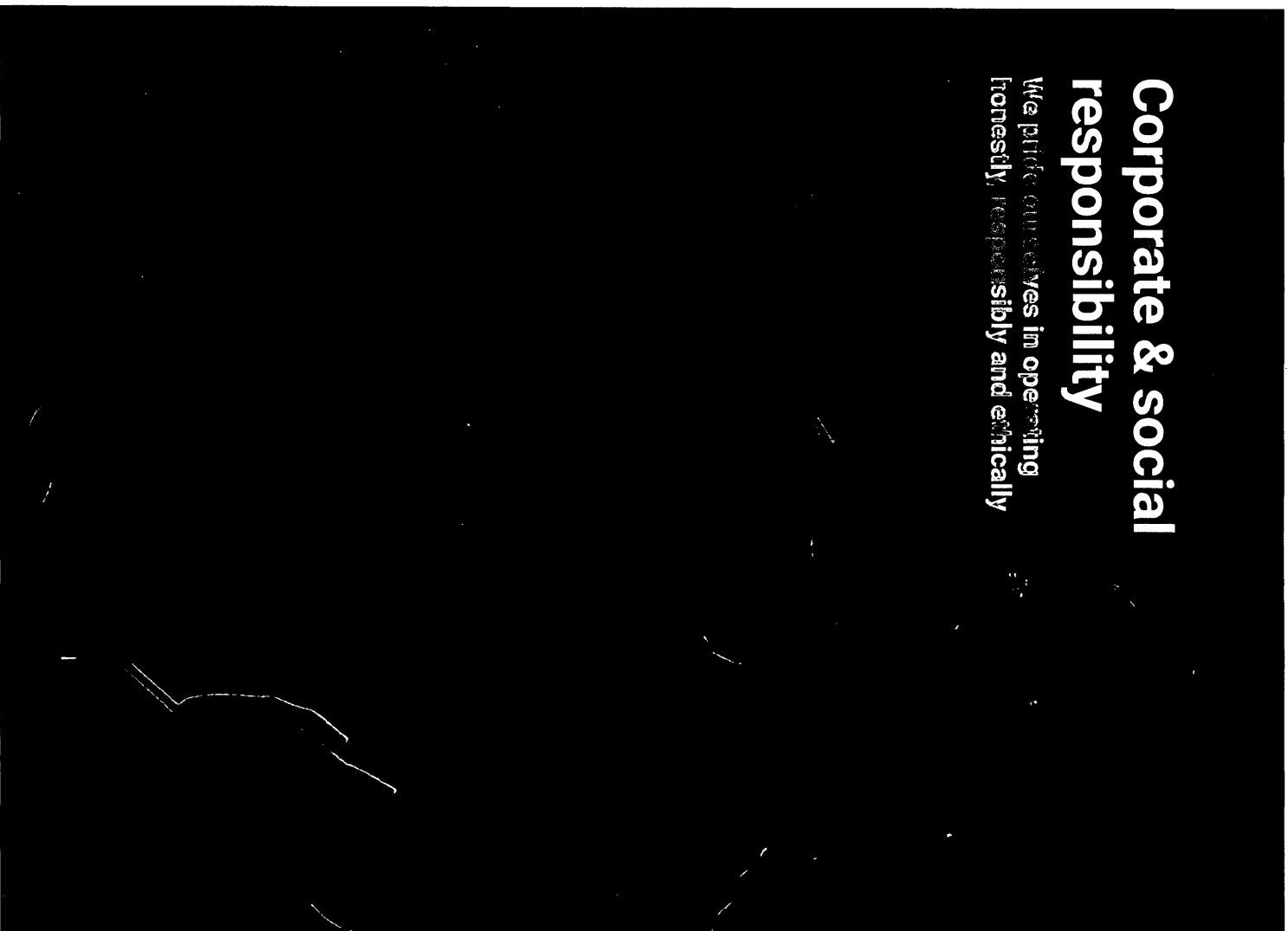
We are committed to giving fully equal opportunities to all people regardless of gender, race, age, social background or disability.

The Group gives full consideration to applications for employment from disabled persons where they 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.

Corporate & social responsibility

We pride ourselves in operating
honestly, responsibly and ethically



We pride ourselves
in operating honestly,
responsibly and ethically



Corporate and social responsibility

Paragon Group is a business with global, local and individual impacts. We are committed to acting responsibly and ethically towards the world in which we operate, our clients, our colleagues and the communities around us, proactively managing social issues alongside business-critical targets.

At Paragon Group, we pride ourselves in operating honestly, responsibly and ethically, both in the workplace and in the wider community. This means the Group is a safe, pleasant, positive and successful place in which to work. Such an environment also makes sound commercial sense – with corporate success and social welfare interdependent. We recognise that managing and balancing environmental, social and economic issues is critical to ensure the long term success of the Group.

Our corporate and social sustainability is built on three principles.

Relationship management

Our positive, long-term relationships with our colleagues and clients are fundamental to our business growth and success. Paragon is positioned as an employer of choice, with a people strategy to continue to attract and retain top-level talent and an ongoing commitment to making the Group a safe, pleasant, positive and successful place in which to work. We invest in our colleagues and provide numerous channels for personal development and engagement with Group management, as well as welcoming client feedback:

- Staff satisfaction surveys
- Staff wellbeing programmes
- Staff development and training programmes
- Staff consultative committee
- Apprentice Academy
- Graduate scheme
- Voice of the Customer survey and strategies.

Ethical business practice

Paragon implements rigorous group-wide processes and practices to ensure ethical and healthy conduct, and complies with all reporting requirement in our local markets, including:

- Comprehensive Health & Safety management programmes
- Ethics and compliance programmes covering:
 - Anti-bribery and corruption
 - Anti-bullying and harassment
 - Equal opportunities
 - Business Code of Conduct
- Risk-based supply chain management programme
- Risk-based Modern Slavery programme – including specific compliant reporting in the UK
- Staff-led community and charity programmes.

Where gaps are identified in our practices or those of our suppliers, we work to create a culture of continuous improvement and implement consistent standards across all regions.

As new GDPR legislation regarding personal data comes into effect in May 2018, we are working with all businesses within the Group to ensure best practice and adherence to all regulatory requirements, both internally and in terms of the services we provide to our clients.

“ We are committed to investing in leading-edge technologies that enable us to provide a broad range of services across several regions under one contractual relationship. ”

“ Responsibility is part of who we are. ”



**We are
proud to have
customers of
very long
standing.**

Performance

We pride ourselves on our reputation for excellence in everything we do, with continuous improvement underpinning our ongoing success and long-term client relationships.

We are committed to further improving performance across the coming financial year, with detailed programmes in all areas of the business to drive efficiency and enhancement, including:

- Certification, including:
 - ISO 9001 – Quality Management
 - ISO 27001 – Information Security Management
 - ISO 14001 – Environmental Management
 - ISO 50001 – Energy Management
 - ISO 22301 – Business Continuity
 - OHS 18001 – Occupational Health & Safety
 - PCI (Payment Card Industry) attestation – secure production
 - PINS – Accreditation of Production PIN Mailers (UKCA Standard 72)
 - FSC – sustainable forest management
 - PEFC – sustainable forest management
- Lifecycle CO2 reporting and reduction
- Lifecycle waste management reporting and reduction
- Production efficiency, including LEAN
- Incident management
- Data governance
- Sustainable product offering

As Paragon continues to grow rapidly, we are committed to maintaining and improving our corporate, social and environmental performance. Our proven success at fostering sustainable relationships and collaborating effectively with all stakeholders underpins our ability to improve performance even as requirements and expectations evolve around us. As well as being ethical, we also acknowledge this makes essential business sense and enables Paragon Group to continue to deliver strong and sustainable commercial performance and growth.

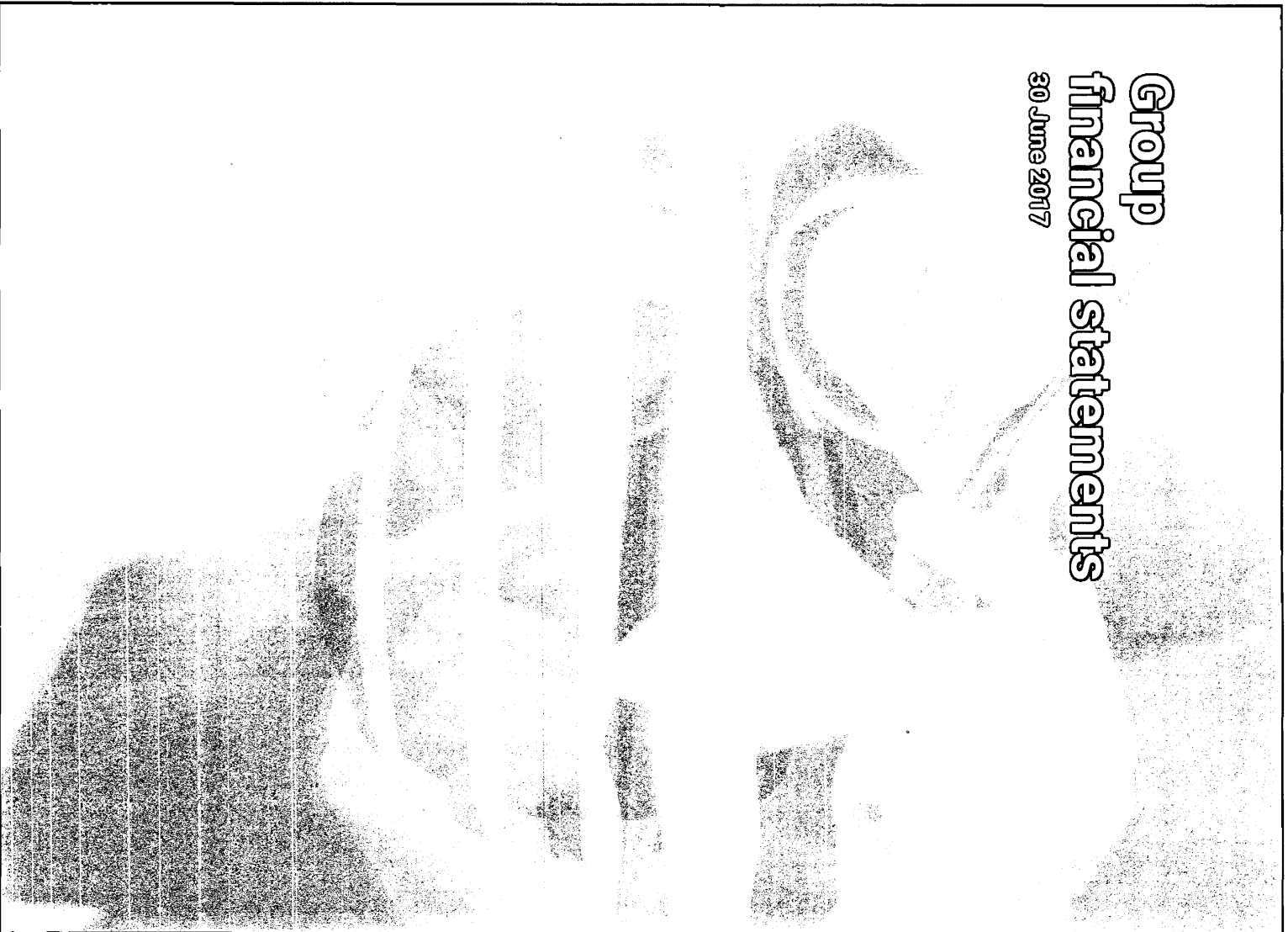
By order of the board

Patrick J. Crean
Chief Executive Officer
13 December 2017



Group financial statements

30 June 2017





Directors

Patrick J Crean (Chief Executive Officer)

Laurent T Salmon (Chief Financial Officer)

Seán Shine (Chief Operating Officer)

Nelson Loane (Non Executive Director)

Company Secretary

Richard Cahill

Auditors

Ernst & Young LLP

Citygate, St James' Boulevard,
Newcastle upon Tyne, NE1 4JD, United Kingdom

Bankers and Advisors

CA-CIB

9 Quai du Président Paul Doumer,
92400 Courbevoie, France

Barclays Bank plc

Barclays House, 5 St Ann's Street, Quayside,
Newcastle upon Tyne, NE1 3DX, United Kingdom

Solicitors

Gunnercooke LLP

1 Cornhill, London, EC3V 3ND, United Kingdom

Cabinet Lipworth

18 Avenue Franklin Roosevelt, 75008,
Paris, France

Registered Office

Park House, 16-18 Finsbury Circus,
London, EC2M 7EB, United Kingdom

Directors' report

The directors present their report for the year ended 30 June 2017.

Directors of the Company

The directors of the Company are listed on page 46.

Results and dividends

The profit for the year after taxation amounted to €12,176,000 (2016: profit of €6,747,000). The EBITDA for the year amounted to €30,749,000 (2016: €20,133,000). No dividend was paid during the year (2016: €nil).

The directors are not recommending the payment of a dividend in respect of the financial year ended 30 June 2017 (2016: Nil).

Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. KPIs measure past performance and provide information to manage the business. Sales, EBITDA and Free Cashflow are the key indicators management use to measure performance. KPIs for the financial year ended 30 June 2017 are shown in the table below, along with prior year comparatives.

	2017	2016	Change
	€000	€000	%
Sales of goods and services	442,187	400,439	+11%
EBITDA	30,749	20,133	+53%
Free Cash Flow ¹	18,218	17,781	+2%

¹ Defined as cash generated from operations on page 64

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.

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.

Capital risk

The Group manages its capital risk to safeguard its ability to continue as a going concern and maintain an optimal capital structure to minimise the cost of capital. This is done through changes made to the underlying debt structures within the Group and, where appropriate, issuing shares or selling assets to reduce debt.

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.

Commodity price risk

The Group is exposed to commodity price risk on paper as a result of its operations. However, given the size of the Group's operations, the costs of continually managing exposure to commodity price risk exceeds any significant potential benefits. The risk is mitigated due to the ongoing centralisation of the Group procurement team and also certain inputs being rechargeable directly to clients. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Directors' report (continued)

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.

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.

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 receivables and trade payables, 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 Consolidated Statement of Financial Position

On 27 October 2017 the Group acquired the entire share capital of Document Management Solutions Limited.

On 2 November 2017 the Group concluded an additional £25,000,000 credit facility bearing an interest rate of 3 months LIBOR plus 0.9%.

On 6 November 2017 the Group acquired the entire share capital of docsellent GmbH.

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

Directors liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors report.

Directors' report (continued)

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 46. 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

13 December 2017

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.

Independent auditor's report to the members of Paragon Group Limited

Opinion

In our opinion:

- Paragon Group Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Paragon Group Limited which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 June 2017	Balance sheet as at 30 June 2017
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flow for the year then ended	
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)

to the members of Paragon Group Limited

Overview of our audit approach

Key audit matters	<p>We have identified the following key audit matters, which were of most significance to our audit.</p> <p>Significant risks.</p> <ul style="list-style-type: none"> • Improper revenue recognition • Risk of impairment of intangible assets, including goodwill • Acquisitions and related intangibles
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of Paragon Group Limited (Company). • We performed an audit of the complete financial information of 16 components, audit procedures on specific balances for a further 5 components and review procedures on a further 10 components, in relation to the Group financial statements. • The components where we performed full or specific audit procedures accounted for 74% of EBITDA* and 78% of Revenue.
Materiality	<ul style="list-style-type: none"> • Overall group materiality of €1,250,000 (2016: €1,150,000) which represents 4.5% of EBITDA (2016: 5%)*.

*EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

** The reduction in percentage of EBITDA used as the basis for materiality is as a result of the listing that took place in the year.

Independent auditor's report (continued)

to the members of Paragon Group Limited

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Board of Directors
Improper revenue recognition		
<p>IAS 18 Revenue states that revenue from the sale of goods shall be recognised when there has been a transfer to the buyer of the significant risks and rewards of ownership of the goods.</p> <p>The timing of when revenue is recognised is relevant to the Group performance. There are a variety of customer arrangements in place at 30 June 2017, which have different points when the risks and rewards of ownership are transferred to the customer.</p> <p>There is opportunity through management override or error to recognise revenue ahead of transfer of risks and rewards of the goods to the customer and/or misstate allocation of revenue between periods. The timing of revenue recognition, including around year end, is a significant focus for the audit.</p> <p>• Consolidated group revenue €442.187m (2016: €400.439m)</p>	<p>At each of the full and specific scope audit locations with significant revenue streams:</p> <ul style="list-style-type: none"> – We performed a walkthrough of the revenue transactions and assessed the design and implementation effectiveness of key controls. – We gained an understanding of trading terms and conditions with key customers. We tested the application of these terms through our sample testing. – We performed analytical procedures on significant income accounts, by comparing revenue balances for the year against expectation, and corroborated significant variances. In addition we compared revenue by customer to activity in the prior year to understand revenue trends and movements. – We tested the completeness and accuracy of revenue by performing sample testing from sales orders to sales invoice to ensure revenue recognition is appropriate. – To address the risk of management override in revenue, we examined a sample of manual journal entries that were posted to revenue accounts. Those manual adjustments which impact revenue, including the credit note provisions, were substantively tested. – We tested a sample of significant trade receivable balances to cash receipts to confirm recoverability post year end. – We performed tests on sales transaction posted near to the year end to ensure that cut off is correctly applied. 	<p>Based on the procedures performed, we did not identify any evidence of material misstatement in the revenue recognised in the year ending 30 June 2017.</p> <p>We conclude that revenue has been recognised in accordance with the requirements of IAS 18 Revenue and there are no cut-off errors or indicators of fraudulent reporting.</p>

Independent auditor's report (continued)

to the members of Paragon Group Limited

Risk	Our response to the risk	Key observations communicated to the Board of Directors
Risk of impairment of intangible assets, including goodwill		
<p>The company holds a significant value in intangible assets and goodwill arising from the acquisition of a number of subsidiaries during the current financial year and in previous financial years.</p> <p>We identified a risk of misstatement attributed to incorrect accounting treatment of additions and the potential requirement for impairment, in accordance with IAS 38 'Intangible assets' and IAS 36 'Impairment of assets'.</p> <ul style="list-style-type: none"> • Goodwill €74.929m (2016: €43.240m) • Other intangible assets €26.918m (2016: €1.562m) 	<p>We performed a fully substantive audit. We do not place reliance on internal controls and processes. However, we perform walkthrough procedures for significant classes of transactions to understand the controls in place to address the significant risks identified. We evidenced that controls are implemented as designed.</p> <p>We substantively tested the valuation of intangibles, including customer relationships and performed an independent review of Management's third party valuation, including corroborating the length of key customer contracts, and comparing ratios and discount rates against peers, allowing for market conditions and profile of the company.</p> <p>We substantively tested valuation of software to supporting calculations and source documentation and verified rates and amounts used in internally generated software to third party evidence and reviewed the criteria for capitalisation of development costs, in accordance with IAS 38.</p>	<p>We assessed the control environment through our walkthroughs and conclude that the controls are operating as designed.</p> <p>We challenged management with regards to the length of certain key customer contracts and discount rates applied, resulting in an increase in customer intangibles.</p> <p>We conclude that goodwill and other intangibles have been recognised in accordance with the requirements of IAS 38.</p>
Acquisitions and related intangibles		
<p>IFRS 3 'Business Combinations' requires the acquirer to undertake a review to ensure the identification of assets and acquired liabilities is complete, and that measurements appropriately reflect consideration of all available information, before recognising any bargain purchase gain in the income statement.</p> <p>A significant gain on bargain purchase has been recognised during the year €12.107m (2016: €662,000), largely arising from the acquisition of DST Output Ltd.</p> <p>The risk is that the fair value of the assets and liabilities have not been measured appropriately, resulting in a material impact on the gain on bargain purchase.</p>	<p>We obtained evidence of the book values attributed to each of the material acquisitions and reviewed client calculations supporting the fair value movements. We also obtained third party evidence supporting fair values of property, plant and equipment, inventories and intangible assets (referred to in the above key risk).</p> <p>We reviewed supporting third party documentation in respect of the consideration paid (in shares or otherwise) to allow us to recalculate any gain on acquisition/gain on bargain purchase and did not identify a material difference.</p>	<p>The calculations are consistent with the methodology applied in the previous year and in accordance with IFRS 3.</p> <p>Based on the procedures performed, we did not identify any evidence of material misstatement in relation to the recorded gain on bargain purchase.</p>

Independent auditor's report (continued)

to the members of Paragon Group Limited

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

	2017			2016		
	Number	% Group EBITDA	% Group Revenue	Number	% Group EBITDA	% Group Revenue
Reporting components						
Full scope	16	66%	70%	15	70%	86%
Specific scope	5	8%	8%	2	6%	3%
	21	74%	78%	17	76%	89%
Review scope	10	12%	12%	5	12%	7%
Remaining components	48	14%	10%	44	12%	4%
Total reporting components	79	100%	100%	66	100%	100%

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 79 reporting components of the Group, we selected 21 components covering entities within the United Kingdom and Ireland, Czech Republic, Germany, Romania, France, Sweden, Norway and The Netherlands which represent the principal business units within the Group.

Of the 21 components selected, 16 were "full scope components", that is an audit of the complete financial information was undertaken selected based on their size or risk characteristics. We performed an audit on 7 full scope components and instructed component teams to undertake an audit on the remaining 9. A further 5 components were "specific scope components", where audit procedures were performed on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile. We performed specific scope audit procedures on 2 of the components and instructed component teams to undertake specific scope audit procedures on the remaining 3.

10 components were "review scope" in that procedures were undertaken, including analytical review procedures based on an assigned testing threshold calculated as a sub-division of our materiality based on relative size and risk profile of each component. We performed review scope procedures on 2 components and instructed component teams to undertake review scope procedures on the remaining 8.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction and to non-EY component teams. As discussed in detail above, for the 16 full scope components, audit procedures were performed on 7 of these directly by the Primary audit team and 9 by component audit teams, of which 5 are non EY component teams. Of the 5 specific scope components, all of the specific scope audit procedures were performed by component teams, of which 3 are non EY component teams. Of the 10 review scope components, review work was performed by the Primary audit team in respect of 1 entity, with the remaining 9 being performed by component auditors, of which 7 are non EY component teams.

We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Primary audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor, is sufficiently involved in the component team's work. We visited third party auditors in Paris and reviewed their working papers, with specific focus on significant risk documentation and the testing of the key risks. The same was undertaken in the UK for material components. We held conversations with EY component teams throughout Europe during their planning, fieldwork and completion processes, reviewed key working papers and held discussions with local management to understand the risks facing the components' businesses.

Independent auditor's report (continued)

to the members of Paragon Group Limited

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be €1,250,000 (2016: €1,150,000) which is 4.5% of EBITDA (2016: 5%). We believe that EBITDA provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the Group.

During the course of our audit, we reassessed initial materiality. No change has been identified in final materiality from the original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely €938,000 (2016: €863,000). We have set performance materiality at this percentage which reflects our expectation of the level of audit differences based on the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was €141,000 to €422,000 (2016: €216,000 to €388,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of €63,000 (2016 €58,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 44, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of Paragon Group Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities statement set out on page 112, the directors are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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



Sandra Thompson (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

15 December 2017

Notes:

1. The maintenance and integrity of the Paragon Group Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 30 June 2017

		2017	2016
	Notes	€000	€000
Continuing operations:			
Revenue from sale of goods and services	3	442,187	400,439
Material costs		188,822	171,678
Payroll	5	156,151	140,489
Other operating costs		66,465	68,139
Operating costs		411,438	380,306
EBITDA		30,749	20,133
Depreciation and amortisation	4	12,748	12,225
EBIT/Operating profit		18,001	7,908
Gain on assets disposal	4	155	539
Share of equity accounted investments	13	80	–
Dividend income		9	10
Finance income	6	184	137
Finance cost	7	(4,728)	(3,244)
Profit before tax	4	13,701	5,350
Income tax charge/(credit)	9	1,525	(1,397)
Profit for the year		12,176	6,747
Attributable to:			
Owners of the parent		12,074	6,575
Non-controlling interests		102	172
		12,176	6,747

Supplementary information

EBIT/Operating profit		18,001	7,908
Exceptional net (gains)/losses	8	(3,029)	4,165
Underlying EBIT		14,972	12,073
EBITDA		30,749	20,133
Exceptional net (gains)/losses	8	(3,029)	4,165
Underlying EBITDA		27,720	24,298

EBIT and EBITDA are defined in note 2(s) below.

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	2017	2016
	€000	€000
Profit for the year	12,176	6,747
Actuarial (loss)/gain recognised on pension scheme (note 24)	(286)	339
Deferred tax arising thereon	104	(42)
Exchange differences on translation of foreign operations	189	(871)
Other comprehensive income/(loss) for the year	7	(574)
Total comprehensive income for the year	12,183	6,173
Attributable to:		
Owners of the parent	12,081	6,001
Non-controlling interests	102	172
	12,183	6,173

Consolidated statement of financial position

for the year ended 30 June 2017

		2017	2016
	Notes	€000	€000
Assets			
Non-current assets			
Property, plant and equipment	10	70,785	50,077
Goodwill	12	74,929	43,240
Other intangible assets	14	26,918	1,562
Financial investments	13	1,079	33
Retirement benefits surplus	24	765	961
Deferred tax asset	23	1,196	1,351
Other non-current assets	17	489	504
		176,161	97,728
Current assets			
Inventories	16	33,810	20,486
Trade and other receivables	17	124,323	65,852
Income tax receivable		3,280	3,488
Cash and cash equivalents	17	43,804	26,315
		205,217	116,141
Assets held for sale	15	3,785	3,783
		209,002	119,924
Total assets		385,163	217,652
Liabilities			
Current liabilities			
Obligations under finance leases	20	3,474	2,955
Borrowings	19	26,311	23,947
Trade and other payables	18	148,338	93,013
Income tax payable		1,375	1,640
Deferred income	21	4,565	3,265
Provisions	22	5,213	1,535
		189,276	126,355


continued...

Consolidated statement of financial position (continued)

for the year ended 30 June 2017

		2017	2016
	Notes	€000	€000
Non-current liabilities			
Borrowings	19	90,297	30,634
Obligations under finance leases	20	9,249	9,140
Provisions	22	8,385	2,835
Deferred consideration	18	2,119	858
Deferred income	21	1,155	465
Deferred tax liabilities	23	1,283	1,107
Retirement benefits deficit	24	–	40
		112,488	45,079
Total liabilities		301,764	171,434
Net assets			
		83,399	46,218
Equity			
Share capital	26	30,000	30,000
Capital reserve		23,867	–
Capital redemption reserve		1,750	1,750
Cumulative translation reserves		66	(123)
Retained earnings		26,115	14,223
Non-controlling interests		1,601	368
Total equity		83,399	46,218

These financial statements were approved by the Board of Directors on 13 December 2017 and signed on its behalf by



Patrick J. Crean
Director



Laurent T. Salmon
Director

Consolidated statement of changes in equity

for the year ended 30 June 2017

Attributable to the equity holders of the parent

	Share capital	Capital Reserve	Capital redemption reserves	Retained earnings	Cumulative translation reserves	Total	Non-controlling interest	Total Equity
	€000	€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

Attributable to the equity holders of the parent

	Share capital	Capital Reserve	Capital redemption reserves	Retained earnings	Cumulative translation reserves	Total	Non-controlling interest	Total Equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance as at 30 June 2016	30,000	–	1,750	14,223	(123)	45,850	368	46,218
Profit for the year	–	–	–	12,074	–	12,074	102	12,176
Other comprehensive income for the year	–	–	–	(182)	189	7	–	7
Shares in subsidiary treated as consideration	–	24,314	–	–	–	24,314	807	25,121
Non-controlling interest arising on acquisitions	–	(447)	–	–	–	(447)	447	–
Reduction in non-controlling interest arising upon an increase in shareholding	–	–	–	–	–	–	(123)	(123)
Balance at 30 June 2017	30,000	23,867	1,750	26,115	66	81,798	1,601	83,399

Consolidated statement of cash flow

for the year ended 30 June 2017

		2017	2016
	Notes	€000	€000
Profit from continuing activities before tax		13,701	5,350
Adjustments for:			
Depreciation of property, plant and equipment	10	11,668	11,162
Non-cash gains on acquisitions	8	(12,107)	(662)
Amortisation of intangible assets	14	1,108	1,095
Gain on disposal of property, plant and equipment/trade and assets	4	(155)	(539)
Amortisation of government grants	21	(28)	(32)
Share of equity accounted investments	13	(80)	–
Net finance costs	6,7	4,544	3,107
Operating cash inflows before movements in working capital		18,651	19,481
Increase in inventories		(2,697)	(1,562)
(Increase)/decrease in receivables		(10,111)	2,751
Increase in payables		8,976	2,409
Increase in deferred income		590	729
Cash contributions to defined benefit pension schemes		(98)	(115)
(Increase)/decrease in other provisions		2,907	(5,912)
Cash generated from operations		18,218	17,781
Interest paid		(2,248)	(2,816)
Interest income		47	43
Income tax paid		(1,237)	(1,893)
Net cash generated by operating activities		14,780	13,115
Cash flows from investing activities			
Payments for property, plant and equipment		(8,080)	(8,626)
Proceeds from disposal of property, plant and equipment		290	689
Proceeds from disposal of assets held for sale		–	2,524
Payments for intangible assets		(2,879)	(917)
Payments for acquisition of subsidiaries, net of cash acquired		(8,292)	(565)
Net cash used in investing activities		(18,961)	(6,895)

continued...

Consolidated statement of cash flow (continued)

for the year ended 30 June 2017

	2017	2016
Notes	€000	€000
Cash flows from financing activities		
Proceeds from new finance leases	1,792	3,363
Repayments of capital element of finance leases	(3,454)	(4,120)
Repayment of borrowings	(37,492)	(9,862)
Proceeds from borrowings	7,691	4,053
Proceeds from bond	51,162	–
Net cash generated/(used) in financing	19,699	(6,566)
Net increase/(decrease) in cash and bank overdrafts	15,518	(346)
Cash net of bank overdrafts at the beginning of the year	19,454	20,194
Net increase/(decrease) in cash and bank overdrafts	15,518	(346)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(262)	(394)
Cash net of bank overdrafts at the end of the year	34,710	19,454

Analysis of net debt

	At 1 July 2016	Cash flow	Exchange difference	Amortisation	Acquisition movements	At 30 June 2017
	€000	€000	€000	€000	€000	€000
Cash and cash equivalents	26,315	12,464	(288)	–	5,313	43,804
Bank overdrafts	(6,861)	(466)	26	–	(1,793)	(9,094)
Cash net of bank overdrafts	19,454	11,998	(262)	–	3,520	34,710
Bank Loans	(47,720)	29,801	519	–	(38,887)	(56,287)
Bonds net of unamortised issue costs	–	(51,162)	–	(65)	–	(51,227)
Obligation under finance leases	(12,095)	1,662	129	–	(2,419)	(12,723)
Net debt	(40,361)	(7,701)	386	(65)	(37,786)	(85,527)

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Statement of Financial Position) 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 2017

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 2017 comprise those of the Company and its subsidiaries (together referred to as 'the Group').

The registered office of the Company is Park House, Lower Ground Floor, 16-18 Finsbury Circus, London, EC2M 7EB, UK.

The financial statements were authorised for issue by the directors on 13 December 2017.

The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 111 to 118.

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 2017:

- Annual Improvements to IFRSs 2012-2014 cycle;
- IFRS 11: Accounting for acquisitions of interests in Joint Operations;
- IAS 16 & IAS 38: Acceptable methods of depreciation/amortisation;
- IAS 16: Property, Plant and Equipment and IAS 41: Bearer Plants;
- IAS 27: Equity method in Separate Financial Statements;
- IAS 1: Disclosure initiative;
- IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the consolidation exception.

The adoption of the above and interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2017, and have not been applied in preparing these consolidated financial statements.

New standards and interpretations not yet adopted

These following new standards, amendments and interpretations are either not expected to have a material impact on the consolidated financial statements once applied or are still under assessment by the Group.

Accounting standard/interpretation (Effective date)

(a) Not expected to have a material impact on the consolidated financial statements:

- Annual Improvements to IFRSs 2014-2016 cycle* (effective for the Group's 2018 Consolidated Financial Statements)
- IFRS 2: Classification and measurement of share based payments* (effective for the Group's 2019 Consolidated Financial Statements)
- IAS 7: Disclosure initiative* (effective for the Group's 2018 Consolidated Financial Statements)
- IAS 12: Recognition of deferred tax assets for unrealised losses* (effective for the Group's 2018 Consolidated Financial Statements).

(b) Subject to ongoing assessment by the Group:

- IFRS 15, Revenue from Contracts with Customers (effective for the Group's 2019 Consolidated Financial Statements)
- IFRS 9, Financial Instruments (effective for the Group's 2019 Consolidated Financial Statements)
- IFRS 16 Leases* (effective for the Group's 2020 Consolidated Financial Statements)

* Not yet EU Endorsed

The accounting policies adopted are consistent with those of the previous year except for the new and amended IFRS and IFRIC interpretations adopted by the Group and Company in these financial statements.

The impact of these new standards is currently being reviewed.

Notes to the consolidated financial statements (continued)

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 (r) below. The accounting policies set out below have been applied to all periods presented.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the company and all its subsidiary undertakings made up to 30 June 2017. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investments with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method is used to account for the acquisition of subsidiaries and group reorganisations. Under the purchase method the cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred in exchange for the subsidiary.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at fair value at the acquisition date. All acquisition costs are expenses immediately.

Non-controlling interests are initially measured at fair value.

Intercompany transactions and balances between group entities are eliminated on consolidation. Where necessary, the accounting policies applied by subsidiaries have been changed to ensure consistency with the accounting policies applied by the Group.

(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.

Rental income from operating leases is recognised on a straight line basis over the term of lease.

Interest income

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

Dividend income

Revenue is recognised with the company's right to receive payment is established.

Notes to the consolidated financial statements (continued)

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.

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.

Bargain Purchase

If the fair value of the net identifiable assets of the subsidiary acquired is in excess of the cost of the acquisition and the measurement of all amounts has been reviewed, the difference is recognised directly in Consolidated Income Statement as a bargain purchase.

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 Statement of Financial Position at cost. These assets are amortised on a straight line basis over their estimated useful lives, which is generally three to five 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.

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally two to ten years.

Other intangible assets – licences

Licences are recorded at fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally three to five years.

Other intangible assets – Patents

Patents are recorded at fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally three to twenty years.

(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 Statement of Financial Position at 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.

(e) Investments in joint ventures and associates

Entities in which the Group holds an interest on a long term basis and are jointly controlled by the Group and one or more others ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements joint ventures are accounted for using the gross equity method.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

(f) Impairment

The carrying amounts of the Group's intangible assets and property, plant and equipment are reviewed at each Consolidated Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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.

(g) 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.

(h) 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 Consolidated Statement of Financial Position 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 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 Consolidated Statement of Financial Position 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 on an undiscounted basis 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.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

(i) 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. Where the time value of money is material, provisions are discounted at a pre-tax rate. 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.

(j) 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 Consolidated Statement of Financial Position 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 differences arising on the retranslation of non-monetary assets and liabilities that are fair valued are recognised in accordance with the gain or loss on fair value.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Euro at the rates prevailing at the Consolidated Statement of Financial Position 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 within cumulative translation reserves. Exchange differences arising on non-monetary assets and liabilities that are fair valued are recognised in accordance with the gain or loss on fair value.

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.

Paragon Group Limited's financial statements are prepared in Euro, which is the presentation currency. This is also the functional currency of both the Parent and Group entities, which is determined based on the primary economic environment.

(k) Financial instruments

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

Trade receivables

Trade receivables do not carry any interest and are initially recognised at fair value and subsequently held at amortised cost. 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, demand deposits and short term investments with an original maturity of three months or less.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Trade payables

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

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.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

(l) 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 Statement of Financial Position 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.

(m) 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 Statement of Financial Position 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.

(n) 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.

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.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

(o) 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.

(p) 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 Consolidated Statement of Financial Position date.

(q) 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.

(r) 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.

Forecasts and discount rates

The carrying values of goodwill is 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 Statement of Financial Position for retirement benefits scheme is €765,000 (2016: €921,000).

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 receivables. 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.

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.

Notes to the consolidated financial statements (continued)

2. Significant accounting policies (continued)

(s) EBIT/EBITDA/Underlying EBIT/EBITDA

EBITDA is earnings before interest, tax, 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).

EBIT includes depreciation and amortisation.

Underlying EBIT and 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 8 below.

(t) 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.

(u) Proforma sales, EBIT and EBITDA

The Consolidated Income Statement includes the impact of acquisitions from their effective date of acquisition. Proforma amounts reported in the Strategic Report include in the Directors' opinion the full year impact of acquisitions that were made during the year.

Notes to the consolidated financial statements (continued)

3 Revenue

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

	2017	2016
	€000	€000
Continuing operations		
Paragon Customer Communications	272,785	221,813
Paragon ID	80,960	78,747
Paragon Graphic Services	87,895	99,469
Rental income	547	410
Total revenue	442,187	400,439
Share of revenue from joint ventures	518	–

4 Profit before tax

Profit before tax has been arrived at after charging/(crediting):

	2017	2016
	€000	€000
Auditor's remuneration:		
Audit fees:		
– Audit of the Group accounts	175	91
– Audit of the accounts of the Company's subsidiaries by the Group auditors	821	396
– Audit of the accounts of the Company's subsidiaries by others	342	188
Non audit fees to Group auditors:		
Accounting & taxation advice	57	92
Gain on sale of held for sale, tangible fixed assets and other fixed assets	(155)	(539)
Foreign exchange loss/(gain)	477	(290)
Staff costs (note 5)	156,151	140,489
Depreciation of property, plant and equipment (note 10)	11,668	11,162
Amortisation of intangible assets (note 14)	1,108	1,095
Amortisation of government grants (note 21)	(28)	(32)
Depreciation and amortisation	12,748	12,225
Operating lease minimum rentals:		
– land and buildings	8,835	7,219
– plant and equipment	6,860	7,033
Operating lease contingent rentals plant and equipment	1,646	765
Sublease rental income	(547)	(410)
Total lease and sublease payments recognised in the Income Statement	16,794	14,607

Notes to the consolidated financial statements (continued)

5 Staff costs

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

	2017	2016
	No.	No.
Production	3,056	3,025
Administration	1,033	857
	4,089	3,882

Their aggregate remuneration comprised:

	2017	2016
	€000	€000
Wages and salaries	122,721	109,287
Social security costs	31,865	30,066
Other pension costs	1,565	1,136
	156,151	140,489

Directors emoluments:

	2017	2016
	€000	€000
Remuneration	1,848	693
Company contributions paid to money purchase scheme	–	–
	1,848	693

	2017	2016
	No.	No.
Members of money purchase pension schemes	1	1

The remuneration from the Company of the highest paid director in the amount of €1,230,000 (2016: €423,000) includes amounts paid to related parties in which the Director also operates as a Director of €1,172,000 (2016: €336,000). The contributions paid into money purchase pension schemes for the highest paid director were €nil (2016: €nil).

Notes to the consolidated financial statements (continued)

6 Finance income

	2017	2016
	€000	€000
Interest on bank deposits	33	12
Net interest income on pension scheme assets and liabilities (note 24)	21	17
Interest on loan to related party	14	31
Other interest income	116	77
	184	137

7 Finance cost

	2017	2016
	€000	€000
Bank loans and overdrafts	2,104	2,386
Finance charge on leased assets	333	444
Movement in fair value of forward exchange contract	–	168
Notional interest on long term receivable and deferred consideration	48	246
Bond interest	1,111	–
Foreign exchange losses on retranslation of intercompany loan balances	1,067	–
Amortisation of capitalised bond issue costs	65	–
	4,728	3,244

8 Exceptional items impacting EBITDA

Exceptional items are those which in the opinion of the Directors are exceptional due to their nature, size or incidence. Whilst costs of this nature can reoccur, they have been highlighted to provide a better understanding of the underlying performance of this trading group. Such items include the costs of restructuring parts of the Group's businesses, which involves redundancies of staff and fixed assets.

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

	2017	2016
	€000	€000
Redundancy and restructuring costs (a)	7,822	5,635
Insurance receivable provisions arising on warranty reclaim	352	–
Acquisition related fees (b)	579	23
Other (e)	325	107
Gain on acquisition (c) (note 11)	(12,107)	(662)
Release of exceptional provisions no longer required (d)	–	(938)
Exceptional net (credit)/charge impacting EBITDA	(3,029)	4,165

(a) Redundancy and restructuring costs arise from the closure of locations and the reduction of staff resources at various locations post-acquisition. Costs also include the assistance the Group receives externally for the management of restructuring and integration programs, including tax and legal advisors. These costs of restructuring also include the winding down a business in accordance with a Board approved restructuring plan which will take several years to fully implement.

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

(c) Gains on acquisition arise on two bargain purchases as defined by IFRS 3.

(d) This represents the release of provisions that are no longer required. It includes the reversal of provisions for legal and other claims in the amount of €706,000 that were no longer required. Also included is the release of a Scandinavian VAT provision in the sum of €232,000 that was no longer required.

(e) Amounts included in other exceptional items are a one-off customer claim of €170,000 and non-recurring European technological start-up costs of €155,000.

Notes to the consolidated financial statements (continued)

9 Income tax charge

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

	2017	2016
	€000	€000
Current tax		
Current period	2,064	929
In respect of prior periods	(485)	(951)
Total current tax charge/(credit)	1,579	(22)
Deferred tax current period	106	897
Deferred tax prior periods	(160)	(2,272)
Total deferred tax credit (note 23)	(54)	(1,375)
Total income tax charge/(credit)	1,525	(1,397)

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

	2017	2016
	€000	€000
Profit before tax	13,701	5,350
Tax calculated at a rate of 19.75% (2016 – 20%)	2,706	1,070
Non-taxable income	(3,289)	(313)
Non-deductible expenses	1,441	–
Effect of changes in tax rates	–	47
Effect of unused tax losses from current year	1,335	974
Effect of unused tax losses from prior year	(321)	(132)
Effect of different tax rates of subsidiaries	292	206
Foreign exchange differences	6	(26)
Adjustments in respect of prior periods	(645)	(3,223)
Total income tax charge/(credit)	1,525	(1,397)

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

	2017	2016
	€000	€000
Deferred tax (credit)/charge on origination and reversal of temporary differences (note 23)	(104)	42

The standard rate of UK corporation tax for the period was 19.75% (2016: 20%). A reduction in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the Group's UK deferred tax balance at the balance sheet date.

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	€000	€000	€000	€000
Cost or valuation:				
At 1 July 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 intangible assets	–	(248)	–	(248)
Exchange movements	(1,057)	(3,765)	(184)	(5,006)
At 30 June 2016	55,474	148,985	5,216	209,675
Additions	1,445	8,235	1,049	10,729
Acquisitions (note 11)	4,253	17,823	602	22,678
Disposals	–	(3,195)	(17)	(3,212)
Exchange movements	(241)	(3,233)	(159)	(3,633)
At 30 June 2017	60,931	168,615	6,691	236,237
Accumulated depreciation and impairment:				
At 1 July 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 intangible assets	–	(110)	–	(110)
Exchange movements	(714)	(2,539)	(183)	(3,436)
At 30 June 2016	30,544	125,224	3,830	159,598
Charge for the period	2,029	9,035	604	11,668
Disposals	–	(2,730)	(5)	(2,735)
Exchange movements	(172)	(2,791)	(116)	(3,079)
At 30 June 2017	32,401	128,738	4,313	165,452
At 30 June 2017	28,530	39,877	2,378	70,785
At 30 June 2016	24,930	23,761	1,386	50,077

The Group has freehold land, included within land and buildings, with a book value of €4,537,000 (2016: €4,582,000), which has not been depreciated. The amount of fully depreciated machinery and equipment and fixtures and fittings is €102,710,000 (2016: €94,107,000).

The net book value of machinery and equipment above includes an amount of €6,530,000 (2016: €9,003,000) 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 €1,371,000 (2016: €1,482,000) in respect of assets held under finance leases and hire purchase contracts.

Notes to the consolidated financial statements (continued)

11 Acquisitions

Acquisition of DST Output Ltd

On the 4 May 2017 the Group acquired the entire DST Output Ltd group of companies in the UK (DST CC).

DST CC group consists of 13 companies and is the UK's leading print and digital communications services company specialising in the production and distribution of regulatory and transactional (e.g bank statements and terms & conditions documents) and direct marketing communications (e.g vouchers and direct mailers) for blue-chip clients primarily in the Financial services, Telecommunications, Utilities and Retail sectors.

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. The fair value assets and liabilities are summarised in the following table.

	Fair value
	€000
Property, plant and equipment	13,919
Software	450
Customer relationships	15,373
Financial investments	359
Non-current assets	30,101
Inventories	4,989
Trade and other receivables	40,100
Cash and cash equivalent	3,653
Income tax receivable	200
Current assets	48,942
Total assets	79,043
Trade and other payables	22,482
Borrowings	30,729
Finance lease	1,981
Provision – dilapidations	2,749
Provisions – rent free period	1,394
Deferred tax liabilities	32
Total liabilities	59,367
Net assets	19,676
Fair value of consideration	9,569
Gain on acquisition (note 8)	(10,107)

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

This is a strategic acquisition for the Group in the channel-agnostic services in regulatory and transactional communications and direct marketing, fulfilled through print, data & digital solutions and response handling sectors.

The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €192,400,000 and EBITDA of €10,100,000.

Notes to the consolidated financial statements (continued)

11 Acquisitions (continued)

Acquisition of ASK SA

On the 28 April 2017, ASK SA acquired the Group's Identification Division. As a consequence, of this transaction ASK SA has now become a subsidiary of the Group. The Group controls 77.5% of the issued share capital of ASK SA.

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. The fair value assets and liabilities are summarised in the following table.

	Fair value
	€000
Property, Plant and equipment	2,376
Software	8
Licences	617
Development expenditure	794
Patents	447
Financial investments	620
Deferred tax asset	545
Non-current assets	5,407
Inventories	4,907
Trade and other receivables	9,264
Cash and cash equivalent	1,536
Income tax receivable	160
Current assets	15,867
Total assets	21,274
Trade and other payables	14,503
Bank overdraft	832
Borrowings	8,158
Finance lease	209
Provisions – retirement	358
Provisions – other	797
Income tax payable	3
Total liabilities	24,860
Net liabilities	(3,586)
Fair value of consideration	24,314
	27,900
Non-controlling interest arising	807
Total goodwill on acquisition (note 12)	28,707

ASK SA's consideration for the acquisition of the ID Division was €108,063,000. The consideration was paid in full by the issuance of shares in ASK SA in the amount of €88,063,000 and €20,000,000 in bonds.

This is a strategic acquisition for the Group representing a move into personal identification products and services, such as electronic passports and ID cards, as well as adding depth to our offer for transport and smart cities. Significant sales and operational synergies exist between ASK and Paragon ID.

The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €24,800,000 and EBITDA of €1,500,000.

Notes to the consolidated financial statements (continued)

11 Acquisitions (continued)

Acquisition of Imprimerie Rault SAS and Eppe Services SASU

On 27 April 2017, the Group acquired the trade and certain assets of Imprimerie Rault SAS in Administration and Eppe Services SASU in Administration.

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. The fair value assets and liabilities are summarised in the following table.

	Fair value
	€000
Property, Plant and equipment	3,937
Inventories	280
Total assets	4,217
Trade and other payables	241
Provisions	466
Deferred tax liabilities	1,000
Total assets	1,707
Net assets	2,510
Fair value of consideration	510
Gain on acquisition (note 8)	(2,000)

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

This acquisition of document management companies strengthened our position in document services in the French market. The companies operate from three locations in France for document production, label production and logistics.

The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €16,700,000 and EBITDA of €1,400,000.

Seven other transactions

The Group entered into seven other smaller acquisitions in the year, which comprised a combination of trade and asset acquisitions and acquisitions of issued share capital.

The Group also increased its shareholdings in Gresset Services SA to 60%. However, whilst its shareholding was previously 40%, it held the majority voting rights and hence, was consolidated prior to the acquisition during the year.

Due to the smaller nature of these individual acquisitions, a simple description of the acquisitions along with a single fair value table for the above has been presented below.

On 19 August 2016, the Group acquired the trade and certain assets of Castlefield Business Forms Ltd.

On 24 November 2016, the Group acquired the trade and certain assets of D'Haussey Imprimeurs SAS in Administration, D'Haussey Strasbourg SAS in Administration and Financiere de L'Avenir SAS in Administration. D'Haussey is a leader in high volume printing, personalisation, finishing & fulfilment for direct marketing campaigns, serving primarily French and German customers.

On 29 November 2016, the Group acquired all of the issued share capital of Nyaljus Tryck & Logistike AB. This is a small but highly synergistic acquisition to strengthen our position in the Swedish market bringing large format customers from the retail sector.

On 28 February 2017, the Group acquired all of the issued share capital of Net Norge AS (trading as Net Print). This is a complementary acquisition in Norway to consolidate our leading position in the Norwegian reprographics market.

On 31 March 2017, the Group acquired the trade and certain assets at Rugeley from ATOS IT Services UK Limited.

On 25 April 2017, the Group acquired the trade and certain assets of The Mailing House Group Ltd (trading as Northern Mail) in Administration. This acquisition provide full postal services including print producing, mailing and delivering of finished postal items along with the collection and sortation of mail.

On 21 June 2017, the Group acquired all of the issued share capital of Burall InfoSmart Limited. This ITSO accredited company complements our existing operations.

Notes to the consolidated financial statements (continued)

11 Acquisitions (continued)

The estimated annual impact of these acquisitions had they been made at the start of the financial year would have been revenue of €46,900,000 and EBITDA of €4,900,000.

	Fair value
	€000
Property, Plant and equipment	2,446
Software	1,110
Licences	22
Deferred tax asset	107
Non-current assets	3,685
Inventories	893
Trade and other receivables	1,657
Cash and cash equivalent	124
Income tax receivable	32
Current assets	2,706
Total assets	6,391
Trade and other payables	2,002
Finance lease	229
Bank overdraft	961
Provisions	543
Deferred consideration	473
Total liabilities	4,208
Net assets	2,183
Reduction in non-controlling interest	123
Total	2,306
Fair value of consideration	5,288
Goodwill on acquisition (note 12)	2,982

The fair value of consideration for all these businesses comprised cash payments of €11,812,000, deferred consideration of €3,555,000 and consideration in the form of shares of €24,314,000.

Notes to the consolidated financial statements (continued)

12 Goodwill

	2017
	€000
Cost and carrying amount of goodwill	
At 1 July 2015	43,240
Acquisitions	–
At 30 June 2016	43,240
Acquisitions (note 11)	31,689
At 30 June 2017	74,929

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.

During the year, as a result of the continued growth of the Group, the Directors took the decision to re-organise the Group's reporting structure. This resulted in the recognition of new CGUs. These are:

- Paragon Customer Communications – provides a range of services to our clients to improve their communications with their customers
- Paragon ID – delivers RFID and contactless solutions for personal identification, mass transit, smart cities, brand protection and traceability
- Paragon Graphic Services – is a digital print network offering design and marketing services to businesses, as well as reprographic services to the engineering, construction and retail sectors

The reasons for and benefits of this reporting structure is discussed further in the Strategic Report on pages 2 to 44.

This re-organisation resulted in the re-allocation of the Group's previously recognised goodwill to these CGUs. In accordance with IAS 36, this re-allocation was executed on the basis of the relative value of the units concerned. The comparatives have been re-stated. This reallocation has not resulted in an impairment.

	2017	2016
	€000	€000
Paragon Customer Communications (PCC)	27,997	27,607
Paragon ID (PID)	41,765	12,766
Paragon Graphic Services (PGS)	5,167	2,867
	74,929	43,240

For the purpose of impairment testing, the key assumptions applied to these CGUs were:

	Pre Tax discount rates	Long term growth rate
Paragon Customer Communications	12.4% (2016: 12.4%)	0.9% (2016: 0.9%)
Paragon ID	12.4% (2016: 12.4%)	0.9% (2016: 0.9%)
Paragon Graphic Services	12.7% (2016: 12.7%)	0.9% (2016: 0.9%)

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 pre-tax discount rates used are presented above.

Notes to the consolidated financial statements (continued)

12 Goodwill (continued)

Key assumptions include management's estimates on sales growth and discount rates. 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. Applying these techniques no impairment charge arose in 2017 (2016: nil).

Sensitivity Analysis

Sensitivity analysis was performed by increasing the discount rate and reducing cashflows. The following individual parameters were applied before the resulting calculation gave rise to an impairment loss:

	Discount rate	Reduction in cashflows
Paragon Customer Communications	56% (2016: 44%)	73% (2016: 67%)
Paragon ID	40% (2016: 56%)	65% (2016: 66%)
Paragon Graphic Services	43% (2016: 48%)	63% (2016: 66%)

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

13 Financial investments

	Trade investments	Investment in associates	Investment in joint ventures	Total
	€000	€000	€000	€000
Cost of valuation				
At 1 July 2016	33	–	–	33
Acquisitions	–	74	905	979
Share of profits	–	–	80	80
Exchange movements	(2)	(2)	(9)	(13)
At 30 June 2017	31	72	976	1,079

Details on the Group's joint ventures and associates can be found in note 33.

Summarised financial information for the Group's investment in joint ventures and associates which are accounted for using the equity method is as follows:

	Non-current assets	Current assets	Current liabilities	Total
	€000	€000	€000	€000
As at 30 June 2017				
Joint ventures	3	1,257	(284)	976
Associates	–	428	(356)	72
At 30 June 2017	3	1,685	(640)	1,048
	Non-current assets	Current assets	Current liabilities	Total
	€000	€000	€000	€000
As at 30 June 2016				
Joint ventures	–	–	–	–
Associates	–	–	–	–
At 30 June 2016	–	–	–	–

Notes to the consolidated financial statements (continued)

14 Other intangible assets

	Development Expenditure	Software	Customer relationships	Licences	Patents	Total
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 July 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
Acquisitions	794	1,568	15,373	639	447	18,821
Additions	127	3,062	4,560	–	–	7,749
Disposals	(903)	–	–	–	(46)	(949)
Exchange movement	–	(365)	–	(6)	–	(371)
At 30 June 2017	921	9,520	19,933	633	401	31,408
Accumulated amortisation:						
At 1 July 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
Charge for the period	62	1,025	–	21	–	1,108
Disposals	(903)	–	–	–	–	(903)
Exchange movement	–	(303)	–	(8)	–	(311)
At 30 June 2017	62	4,415	–	13	–	4,490
Net book value:						
At 30 June 2017	859	5,105	19,933	620	401	26,918
At 1 July 2016	–	1,562	–	–	–	1,562

15 Assets held for sale

	2017	2016
	€000	€000
Properties	3,785	3,783

Two properties, Collegien in France and Pilsen in Czech Republic are held for sale. Both are the subject of active marketing campaigns using external agents and expected to be sold within six months.

Notes to the consolidated financial statements (continued)

16 Inventories

	2017	2016
	€000	€000
Raw materials and consumables	17,928	10,112
Work in progress	6,289	1,653
Finished goods and goods for resale	9,593	8,721
	33,810	20,486

There was no write-down of inventories in either period. Inventories included in cost of sales in the year amounted to €186,567 (2016: €170,978).

17 Other financial assets

	2017	2016
	€000	€000
Trade and other receivables		
Amounts receivable for the sale of goods and services	109,285	59,630
Allowance for doubtful debts	(1,933)	(1,944)
Trade receivables	107,352	57,686
VAT receivables	3,129	1,063
Other receivables	4,937	2,585
Amount due from related party	47	106
Amount due from joint ventures and associates	755	–
Prepayments and other assets	8,103	4,412
	124,323	65,852

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

	2017	2016
	€000	€000
Other non-current assets		
Other receivables (see below)	489	504
	489	504

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 has been discounted and reflects the fair value of the amounts receivable. The Group received a net refund from the French state fund in the current year of €23,000 (2016: €27,000).

	2017	2016
	€000	€000
Cash and cash equivalents	43,804	26,315
Cash and cash equivalents	43,804	26,315

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.

Notes to the consolidated financial statements (continued)

18 Trade and other payables

	2017	2016
	€000	€000
Trade payables	85,077	54,053
Other taxes and social security	20,471	11,884
Holiday accrual	7,859	5,911
Other payables	4,463	4,563
Amount owed to joint ventures and associates	2,251	–
Accruals for goods and services	24,349	15,439
Financial instrument	399	–
Deferred consideration	3,469	1,163
	148,338	93,013

Amount owed to joint ventures and associates include historic amounts owed to Inlays India Private Limited and trading balances with dsi Billing Services Limited and European Direct Mail Limited.

Financial instruments

A third party holds a put option of 251,309 shares in ASK SA with an exercise price of €1.59166 which can be exercised within the next twelve months.

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

The deferred consideration is payable as follows:

	2017	2016
	€000	€000
Within one year	3,469	1,163
Beyond one year	2,119	858
	5,588	2,021

19 Borrowings

	2017	2016
	€000	€000
Bank loans	56,287	47,720
Bonds net of unamortised issued costs	51,227	–
Bank overdrafts	9,094	6,861
	116,608	54,581

The borrowings are repayable as follows:

	2017	2016
	€000	€000
Within one year	26,311	23,947
Between two and five years	37,930	29,942
Beyond five years	52,367	692
	116,608	54,581

Notes to the consolidated financial statements (continued)

19 Borrowings (continued)

Bank loans

On 16 December 2016, a subsidiary company Grenadier Holdings plc raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 15 December 2023. The notes currently bear an interest rate of 4% and are subject to a maximum rate of 5%. The issuance costs have been capitalised and are being amortised to net finance costs over the 7 year life of these loan notes.

The bank loans and other borrowings comprise both fixed terms and other credit facilities. €4,781,000 are secured on land and buildings in the form of a commercial mortgage. €36,019,000 is secured on trade debtors and are subject to terms and conditions as to the nature, quantum and age of such debtors. €919,000 is secured on equipment.

Amounts falling due after more than one year include a variable facility of €25,289,000 (2016: €17,480,000) secured over debtors.

- €16,346,000 (2016: €17,338,000) of this facility is held in France and the UK and is renewed on an annual basis on 1 August.
- €8,943,000 (2016: €142,000) of this facility is held in the UK and is due for renewal on 15 November 2019.

The remainder of the Group borrowings are largely 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.

20 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 2017 €000	Present value of minimum lease payments 2017 €000	Minimum lease payments 2016 €000	Present value of minimum lease payments 2016 €000
Amounts payable under finance leases:				
Within one year	3,772	3,474	3,510	2,955
Between two to five years	9,497	8,923	9,118	8,679
In more than five years	342	326	484	461
	13,611	12,723	13,112	12,095
Less finance charges	(888)		(1,017)	
Present value of lease obligations	12,723		12,095	
Current	3,474		2,955	
Non-current	9,249		9,140	
	12,723		12,095	

Notes to the consolidated financial statements (continued)

21 Deferred income

	2017	2016
	€000	€000
Advanced billings and other deferred income	4,486	3,265
Government grants	410	465
Deferred gains on property sale and leaseback	824	–
	5,720	3,730
Current	4,565	3,265
Non-current	1,155	465
	5,720	3,730

Government grants

	2017	2016
	€000	€000
At 1 July	465	575
Released in the year	(28)	(32)
Exchange movements	(27)	(78)
At 30 June	410	465

The above grant has no unfulfilled obligations or contingencies.

Notes to the consolidated financial statements (continued)

22 Provisions

	Retirement	Restructuring	Other	Total
	€000	€000	€000	€000
Balance at 1 July 2015	2,798	4,305	3,277	10,380
Utilised during the period	(198)	(3,647)	(1,033)	(4,878)
Exceptional provisions released (note 8)	–	–	(938)	(938)
Exchange movements	(53)	(35)	(10)	(98)
Charge/(credit) during the period	192	376	(664)	(96)
Balance at 30 June 2016	2,739	999	632	4,370
Utilised during the period	(179)	(370)	(404)	(953)
Exchange movements	–	(3)	(113)	(116)
Charge during the period	181	3,445	234	3,860
Reclassification from trade payables	–	–	130	130
Acquisitions (note 11)	954	–	5,353	6,307
Balance as at 30 June 2017	3,695	4,071	5,832	13,598
Current	291	3,696	1,226	5,213
Non-current	3,404	375	4,606	8,385
Balance as at 30 June 2017	3,695	4,071	5,832	13,598

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 include dilapidations, rent free periods and onerous contracts.

Dilapidations are the provisions recorded for the costs of returning properties held under operating leases to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

Rent free periods can be included in property operating lease contracts. The benefit of these rent free periods is evenly taken to the Income Statement over the life of the operating lease.

Provisions have been recorded for the onerous payments on certain lease arrangements. They have been established on the basis of the expected onerous element of future lease payments over the remaining life of the relevant leases and agreements, which expire in between one to three years. These have been discounted and the provisions are expected to be utilised, with the discounts unwinding accordingly, over the remaining terms of the corresponding lease arrangements.

Notes to the consolidated financial statements (continued)

23 Deferred tax

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

	2017	2016
	€000	€000
Deferred tax assets	1,991	1,351
Deferred tax liabilities	(2,078)	(1,107)
Net deferred tax (liabilities)/assets	(87)	244

The total movement in the net deferred tax (liabilities)/assets is as follows:

	2017	2016
	€000	€000
Asset/(liabilities) at the beginning of the period	244	(724)
Credit to the Consolidated Income Statement (note 9)	54	1,375
Credit/(charge) to the Consolidated Statement of Comprehensive Income (note 9)	104	(42)
Acquisitions (note 11)	(380)	(228)
Exchange rate differences	(109)	(137)
(Liabilities)/asset at the end of the period	(87)	244

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

	Property, Plant & Equipment	Tax Losses	Other Temporary Differences	Total
	€000	€000	€000	€000
Balance at 1 July 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
Credit to the Consolidated Income Statement	87	24	(57)	54
Charge to the Consolidated Statement of Comprehensive Income	–	–	104	104
Acquisitions	(1,000)	545	75	(380)
Items taken direct to equity	(360)	(150)	401	(109)
Balance at 30 June 2017	(5,221)	1,959	3,175	(87)

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.

The Group has tax losses arising in the UK of €7,300,000 that are available indefinitely for offset against future taxable profits and €631,000,000 of tax losses and other temporary differences arising in overseas territories that are available to carry forward indefinitely and tax losses of €5,500,000 which are due to expire within five years.

Notes to the consolidated financial statements (continued)

24 Retirement benefits

Defined contribution scheme – UK

The defined contribution schemes – UK are 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 €929,000 (2016: €481,000).

Contributions totalling €354,000 (2015: €37,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Norway

The defined contribution schemes – Norway are 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 €265,000 (2016: €296,000). Contributions totalling €36,000 (2016: €46,000) were payable to the fund at the year end and are included in creditors.

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 €287,000 (2016: €267,000). Contributions totalling €nil (2016: €42,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Ireland

The defined contribution scheme – Ireland 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 €32,000 (2016: €28,000). Contributions totalling €8,000 (2016: €12,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – USA

The defined contribution scheme – USA 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 €4,000 (2016: €nil). Contributions totalling €nil (2016: €nil) were payable to the fund at the year end.

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

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 2017.

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

	2017	2016
	Per annum	Per annum
Discount rate	2.6%	2.7%
Expected rate of inflation	3.3%	2.8%
Rate of increase of pensions in payment	3.2%	2.7%
Rate of increase for deferred pensioners	2.3%	1.8%

Demographic assumptions

	2017	2016
Mortality (pre-retirement)	AMC00/AFC00 S1PA (yob) CMI 2015 M/F	AMC00/AFC00 S1PA (yob) CMI 2015 M/F
Mortality (post retirement)	1.25%	1.25%

	2017		2016	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	22.1 years	23.9 years	22.2 years	24.2 years
Life expectancy at age 65 for current 45 year old	23.5 years	25.4 years	23.9 years	26.1 years

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

	2017	2016
	€000	€000
Present value of funded obligations	(8,858)	(8,592)
Fair value of scheme assets	9,406	9,553
Assets	548	961

The surplus has been recognised as the scheme rules of the plan state that the Company will be entitled to any surplus remaining if the plan is run on until the last member exits the plan.

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

	2017	2016
	€000	€000
Interest charge on obligation (note 6)	(220)	(275)
Expected return on scheme assets (note 6)	244	303
	24	28

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

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

	2017	2016
	€000	€000
Actuarial losses on defined benefit obligation	(601)	(1,007)
Actual return on assets	220	1,187
	(381)	180

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 €3,058,000 (2016: €3,439,000).

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

	2017	2016
	€000	€000
Opening defined benefits obligation	8,592	8,749
Interest cost	220	275
Foreign exchange movements	(357)	(1,242)
Actuarial losses	601	1,007
Benefits paid	(198)	(197)
Closing defined benefits obligation	8,858	8,592

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

	2017	2016
	€000	€000
Opening fair value of scheme assets	9,553	9,626
Expected returns	244	303
Foreign exchange movements	(413)	(1,366)
Actual gain	220	1,187
Benefits paid	(198)	(197)
Closing fair value of scheme assets	9,406	9,553

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	Value at 30 June 2017	Value at 30 June 2016
	€000	€000
Equity instruments	4,110	3,888
Gilts	2,934	3,239
Cash	2,362	2,426
	9,406	9,553

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

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

	2017	2016	2015
	€000	€000	€000
Fair value of scheme assets	9,406	9,553	9,626
Present value of defined benefit obligations	8,858	8,592	8,749
Net surplus	548	961	877
Experience adjustments on scheme liabilities	–	76	68
Percentage of total scheme obligation	0%	1%	1%
Experience adjustments on scheme assets	220	1,187	290
Percentage of scheme assets	2%	12%	3%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2017. 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 2017 other than in respect of ongoing expenses.

	Change in assumption	Change in obligation
Sensitivity analysis		
Discount rate	+0.5%/-0.5%	+9.0%/-8.0%
Expected rate of inflation	+0.5%/-0.5%	+4.0%/-5.0%
Assumed life expectancy	+ 1 year	+4.0%

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

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 2017.

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

	2017	2016
	Per annum	Per annum
Discount rate	2.6%	2.5%
Expected rate of inflation	2.6%	1.5%
Expected rate of salary increases	2.5%	2.5%
Rate of increase of pensions in payment	0.0%	0.0%
Rate of increase for deferred pensioners	N/A	N/A

Demographic assumptions

	2017	2016
Mortality	K2013BE	K2013BE

	2017		2016	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.0 years	24.1 years	21.0 years	24.2 years
Life expectancy at age 65 for current 45 year old	23.2 years	26.5 years	23.2 years	26.5 years

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

	2017	2016
	€000	€000
Present value of funded obligations	(3,123)	(3,392)
Fair value of scheme assets	3,340	3,352
Year-end assets/(obligations)	217	(40)

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

	2017	2016
	€000	€000
Service cost	(47)	(64)
Interest charge on obligation (note 6)	(80)	(84)
Expected return on scheme assets (note 6)	77	73
	(50)	(75)

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

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

	2017	2016
	€000	€000
Actuarial gain on defined benefit obligation	48	255
Actual return on assets	47	(96)
	95	159

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 gain/(loss) of €64,000 (2016: (€31,000)).

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

	2017	2016
	€000	€000
Opening defined benefits obligation	3,392	3,976
Interest cost	80	84
Service cost	47	64
Foreign exchange movements	(60)	(238)
Actuarial gain	(48)	(255)
Benefits paid	(151)	(225)
Past service cost – curtailment/plan amendment	(3)	–
Settlements	(122)	–
Employer contributions	(12)	(14)
Closing defined benefits obligation	3,123	3,392

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

	2017	2016
	€000	€000
Opening fair value of scheme assets	3,352	3,646
Expected returns	77	73
Foreign exchange movements	(59)	(217)
Settlement and (gain)/loss on settlement	(10)	–
Return on assets	47	(96)
Contributions by employer	84	101
Benefits paid	(151)	(155)
Closing fair value of scheme assets	3,340	3,352

Notes to the consolidated financial statements (continued)

24 Retirement benefits (continued)

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	Value at 30 June 2017	Value at 30 June 2016
	€000	€000
Equity instruments	167	168
Bonds	2,638	2,647
Real Estate	367	369
Cash	168	168
	3,340	3,352

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

	2017	2016
	€000	€000
Fair value of scheme assets	3,340	3,352
Present value of defined benefit obligations	3,123	3,392
Net gain/(deficit)	217	(40)
Experience adjustments on scheme liabilities	17	175
Percentage of total scheme obligation	0.5%	5%
Experience adjustments on scheme assets	80	(63)
Percentage of scheme assets	2%	(2%)

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2017.

	Change in assumption	Change in obligation

Sensitivity analysis

Discount rate	+0.5%/-0.5%	+5.41%/-4.7%
Expected rate of inflation	+0.5%/-0.5%	+0.13%/+5.1%
Assumed life expectancy	+ 1 year	+3%

Notes to the consolidated financial statements (continued)

25 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.

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.

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

Reporting of financial risks

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

	2017		2016	
	Total fair value	Carrying value	Total fair value	Carrying value
	€000	€000	€000	€000
Financial assets				
Trade and other receivables*	116,275	116,275	61,440	61,440
Cash and cash equivalents	43,804	43,804	26,315	26,315
Long term receivables	434	434	504	504
Derivative financial instruments:				
– Forward exchange contract	Level 2	–	–	–
Total financial assets	160,513	160,513	88,259	88,259
<hr/>				
	2017		2016	
	Total fair value	Carrying value	Total fair value	Carrying value
	€000	€000	€000	€000
Financial liabilities				
Unsecured bank loans and overdrafts	(23,663)	(23,663)	(16,870)	(16,870)
Trade and other payables**	(120,997)	(120,997)	(76,411)	(76,411)
Derivative financial instruments:				
– Forward exchange contract	Level 2	–	–	–
Total financial liabilities	(144,660)	(144,660)	(93,281)	(93,281)

* 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 Consolidated Statement of Financial Position date.

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 Consolidated Statement of Financial Position 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.

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

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 2017 the discount rate used was 3.0 per cent (30 June 2016: 3.0 per cent).

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 undiscounted cash flows	Impact of discounting and netting	Carrying amount
	€000	€000	€000	€000	€000	€000

30 June 2017

Non derivative financial liabilities

Unsecured bank loans and overdrafts	23,663	–	–	23,663	–	23,663
Forward exchange contracts	–	–	–	–	–	–
	23,663	–	–	23,663	–	23,663

	Due within one year	Due between 1 and 2 years	Due between 2 and 5 years	Total undiscounted cash flows	Impact of discounting and netting	Carrying amount
	€000	€000	€000	€000	€000	€000

30 June 2016

Non derivative financial liabilities

Unsecured bank loans and overdrafts	16,870	–	–	16,870	–	16,870
Forward exchange contracts	–	–	–	–	–	–
	16,870	–	–	16,870	–	16,870

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

Market risk: Currency risk

Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
Currency				
Sterling	1.16	1.35	1.14	1.21
Swedish Krona	0.10	0.11	0.10	0.11
Norwegian Krone	0.11	0.11	0.11	0.11
Romanian Leu	0.22	0.22	0.22	0.22
Polish Zloty	0.23	0.23	0.24	0.23
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.69	0.65	0.67	0.66
US Dollar	0.92	0.90	0.89	0.89
China RMB	0.13	–	0.13	–

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2017 and 30 June 2016 would have had the following effect on profit on ordinary activities before tax:

	2017	2016
	€000	€000
Sterling	(317)	(64)
Norwegian Krone	226	70
Swedish Krona	4	76
Polish Zloty	(64)	(84)
Czech Koruna	44	141
Romanian Leu	(86)	(47)
US Dollar	(26)	(23)
Australian Dollar	(9)	(4)
China RMB	15	–

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

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

	2017	2016
	€000	€000
Euro	28,342	19,894
Sterling	12,924	5,525
US Dollar	389	166
Romania Leu	47	47
Norwegian Krone	1,084	360
Swedish Krona	443	127
Polish Zloty	118	53
Czech Koruna	16	74
Australian Dollar	334	69
Canadian Dollar	1	–
China RMB	106	–
	43,804	26,315

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

	2017	2016
	€000	€000
Euro bank borrowings	93,153	27,861
Sterling bank borrowings	9,999	8,307
Norwegian bank borrowings	2,387	2,169
Czech bank borrowings	983	2,816
	106,522	41,153

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.

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

Interest rate sensitivity analysis

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

	2017	2016
	€000	€000
100% movement in 3 month EUIBOR and LIBOR	175	76

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. There was one open US Dollar forward contract at year-end but its fair value adjustment was not material.

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 when compared to an accounts receivable balance of €109,285,000 and the provisions adequate.

Ageing of overdue and partly impaired receivables

	2017	2016
	€000	€000
Between 0 and 90 days	293	392
Between 91 and 120 days	227	181
Between 121 and 180 days	336	206
Over 181 days	1,977	1,389
	2,833	2,168

Notes to the consolidated financial statements (continued)

25 Financial risk management (continued)

Movement in the allowance for doubtful debts

	2017	2016
	€000	€000
Balance at beginning of period	1,944	2,069
Impairment provisions	845	358
Amounts written-off as uncollectible	(235)	(215)
Foreign exchange movements	(24)	(94)
Impairment provisions reversed	(597)	(174)
Balance at end of period	1,933	1,944

Ageing of past due but not impaired receivables:

	2017	2016
	€000	€000
Between 0 and 90 days	15,741	6,597
Between 91 and 120 days	812	381
Between 121 and 180 days	42	426
Over 181 days	221	165
	16,816	7,569

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.

Notes to the consolidated financial statements (continued)

26 Share capital

	2017		2016	
	No.	€	No.	€
Allotted, called up and fully paid				
Ordinary Class A shares of €1.00 each	15,789,474	15,789,474	15,789,474	15,789,474
Ordinary Class B shares of €1.00 each	14,210,526	14,210,526	14,210,526	14,210,526
	30,000,000	30,000,000	30,000,000	30,000,000

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

27 Dividends paid

	2017	2016
	€000	€000

Dividends declared and paid in the year – Class B shares

– –

28 Capital and other commitments

	2017	2016
	€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:

	Land and buildings		Other		Total	
	2017	2016	2017	2016	2017	2016
	€000	€000	€000	€000	€000	€000
Within one year	10,494	6,044	6,276	3,787	16,770	9,831
Between two and five years	23,807	13,691	11,243	6,443	35,050	20,134
After five years	13,449	3,101	27	5	13,476	3,106
	47,750	22,836	17,546	10,235	65,296	33,071

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 lease by entering into these leases.

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.

	2017	2016
	€000	€000
Not more than one year	558	558
After one year but not more than five years	279	837
	837	1,395

Notes to the consolidated financial statements (continued)

29 Contingent liabilities

In the directors' opinion there are no contingent liabilities.

30 Related party transactions

Subsidiaries, joint ventures and associates

The Consolidated Financial Statements include the financial statements of the Company and its subsidiaries, joint ventures and associates as documented in the accounting policies on page 67. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 108 to 110.

Wholly owned subsidiaries

Transactions and balances with wholly owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Non wholly owned subsidiaries

Transactions and balances with non wholly owned subsidiaries, which are related parties, and which have been eliminated on consolidation were:

	2017	2016
	€000	€000
Sales	737	70
Purchases	697	247
Management fees received	155	142
Finance income	206	–
Finance cost	5	8
Amounts due from non wholly owned subsidiaries	25,695	128
Amounts payable to non wholly owned subsidiaries	534	1,861

Sales and purchases are with the Paragon ID CGU and Gresset Services SAS in the current year and to Gresset Services SA in the prior year. Management fees include Gresset Services SAS.

Finance income in the current year includes ASK SA and Bemrose Booth Paragon Limited while Gresset Services SAS is included in Finance costs in both years.

Amounts due from non wholly owned subsidiaries include the Paragon ID CGU and Services Point Services SA plc in the current year Services Point Services SA plc in the prior year. Amounts owed in both years are with Gresset Services SAS and with the Paragon ID CGU in the prior year.

Joint ventures

Transactions and year-end balances with joint ventures were:

	2017	2016
	€000	€000
Sales	518	–
Purchases	206	–
Amounts due from joint ventures	679	–
Amounts owed to joint ventures	2,231	–

Sales and purchases are with dsi Billings Services Limited.

Amounts due from joint ventures include historic receivables from Inlays India Private Limited and trading balances from dsi Billings Services Limited.

Amounts due to joint ventures include historic payables from Inlays India Private Limited and trading balances from dsi Billings Services Limited.

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

Associates

Transactions and year-end balances with associates were:

	2017	2016
	€000	€000
Sales	16	–
Purchases	17	–
Amounts due from associates	76	–
Amounts due to associates	20	–

These amounts include the transactions and balances with European Direct Mail Specialists Limited and Response Handling Centre Limited.

Other related parties

Transactions and year-end balances with other related parties were:

	2017	2016
	€000	€000
Interest received	62	–
Cash and cash equivalents	3,100	–

This includes an interest bearing cash deposit held with Next Week Limited, a company that shares a common director.

Key management personnel

Transactions and year-end balances with key management personnel were:

	2017	2016
	€000	€000
Interest payable to shareholder	15	14
Dividend payable to shareholder	252	1,375
Interest received from companies with common key management personnel	1	45
Amounts due from companies with common key management personnel	47	249
Amounts due to companies with common key management personnel	309	20

The amounts owed represent unpaid historic balances and unpaid remuneration to Investment Paragon Limited, Grenadier Management Limited, Parapet Limited and Elruca Limited.

Details of the directors are given on page 46. Key management personnel are considered to be the directors, and their remuneration is not contained in this note as it has been disclosed within Note 5.

31 Events since the Consolidated Statement of Financial Position date

On 27 October 2017 the Group acquired the entire share capital of Document Management Solutions Limited.

On 2 November 2017 the Group concluded an additional £25,000,000 credit facility bearing an interest rate of 3 months LIBOR plus 0.9%.

On 6 November 2017 the Group acquired the entire share capital of docsellent GmbH.

The annual financial impact of these acquisitions is estimated to be an increase in sales of €18,000,000 and an increase in EBITDA of €1,700,000.

32 Ultimate controlling party

The ultimate controlling party is Patrick James Crean.

Notes to the consolidated financial statements (continued)

33 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

PCC: Paragon Customer Communications

PID: Paragon ID

PGS: Paragon Graphic Services

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	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)	PCC/PGS
Paragon France SAS	France	Ordinary	77.5%	(16)	Parent undertaking
Paragon Identification SAS	France	Ordinary	77.5%	(2)	PID
Paragon Transaction SA	France	Ordinary	100%	(3)	PCC
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)	PCC
Paragon Transaction Belgium BVBA	Belgium	Ordinary	100%	(20)	Dormant
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)	PCC
Inter Routage Sologne SAS	France	Ordinary	100%	(4)	PCC
SCI de L'erigny	France	Ordinary	100%	(14)	Property holding
Gresset Services SAS	France	Ordinary	60%	(3)	PCC
D'Haussey Solutions International SAS	France	Ordinary	100%	(3)	PCC
D'Haussey GmbH	France	Ordinary	100%	(17)	PCC
Rault Eppe Solutions SAS	France	Ordinary	100%	(3)	PCC
D'Haussey Solutions SAS	France	Ordinary	100%	(3)	PCC
Bemrose Booth Paragon Limited	England	Ordinary	77.5%	(20)	PID
Print Trade Suppliers Limited	England	Ordinary	100%	(5)	PGS
Holmbergs i Malmo AB	Sweden	Ordinary	100%	(5)	PGS
Njaljus AB	Sweden	Ordinary	100%	(9)	PGS
Allkopi Holdings AS	Norway	Ordinary	100%	(5)	Parent undertaking
Allkopi AS	Norway	Ordinary	100%	(7)	PGS
KSB Groep BV	Netherlands	Ordinary	100%	(8)	PGS
Netprint Norge AS	Norway	Ordinary	100%	(7)	Parent undertaking
Netprint Kristiani AS	Norway	Ordinary	42%	(18)	PGS
Netprint AS	Norway	Ordinary	100%	(18)	PGS
Paragon Financial Investments Limited	England	Ordinary	100%	(3)	Parent undertaking
Paragon Nederland BV	Netherlands	Ordinary	100%	(3)	Dormant

continued...

Notes to the consolidated financial statements (continued)

33 List of principal undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Paragon Identification SRL	Romania	Ordinary	77.5%	(20)	PID
C&D Investments BV	Netherlands	Ordinary	100%	(3)	Dormant
FleQs BV	Netherlands	Ordinary	100%	(3)	PGS
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)	PID
ASK SA	France	Ordinary	77.5%	(3)	PID
ASK InTag	USA	Ordinary	77.5%	(16)	PID
ASK Asia HK	Hong Kong	Ordinary	77.5%	(16)	Parent undertaking
ASK Smart	Chile	Ordinary	77.5%	(23)	PID
Paragon Customer Communications Limited	England	Ordinary	100%	(3)	PCC
Paragon Customer Communications (Reality) Limited	England	Ordinary	100%	(24)	PCC
Paragon Customer Communications (Bristol) Limited	England	Ordinary	100%	(24)	PCC
Lateral Holdings Limited	England	Ordinary	100%	(24)	Parent undertaking
Dsicmm Group Limited	England	Ordinary	100%	(24)	Parent undertaking
Lateral Group Limited	England	Ordinary	100%	(25)	Parent undertaking
Paragon Customer Communications (London) Limited	England	Ordinary	100%	(27)	PCC
Paragon Customer Communications (Notts) Limited	England	Ordinary	100%	(26)	PCC
Paragon Applied Analytics	England	Ordinary	100%	(26)	PCC
Service Point Paragon Nederland BV	Netherlands	Ordinary	100%	(15)	PCC
Service Point Solutions SA	Spain	Ordinary	81.3%	(11)	Parent undertaking
Service Point Facilities Management Iberica SA	Spain	Ordinary	81.3%	(12)	PGS
Service Point Netherlands Holdings BV	Netherlands	Ordinary	81.3%	(12)	Parent undertaking
Service Point Nordic AB	Sweden	Ordinary	81.3%	(12)	Parent undertaking
Service Point Belgium NV	Belgium	Ordinary	81.3%	(12)	PCC
Paragon Meiller GHP Holdings GmbH	Germany	Ordinary	100%	(3)	Parent undertaking
MeillerGHP GmbH	Germany	Ordinary	100%	(13)	PCC
MeillerGHP Cz sro	Czech Republic	Ordinary	100%	(19)	PCC
MeillerGHP SP zoo	Poland	Ordinary	100%	(19)	PCC
MeillerGHP AB	Sweden	Ordinary	100%	(19)	PCC
MeillerGHP SARL	France	Ordinary	100%	(4)	PCC
Paragon Magnadata Inc	USA	Ordinary	77.5%	(21)	PID
Paragon Identification Pty Ltd	Australia	Ordinary	77.5%	(21)	PID
Burrall Infosmart Limited	England	Ordinary	77.5%	(21)	PID
Burrall InfoSyS Limited	England	Ordinary	100%	(21)	Dormant
Brite IP Limited	England	Ordinary	100%	(22)	Dormant

continued...

Notes to the consolidated financial statements (continued)

33 List of principal undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Joint ventures					
Inlays India Private Limited	India	Ordinary	56.32%	(22)	Dormant
dsi Billing Services Limited	England	Ordinary	50%	(28)	PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(28)	PCC
Associates					
Response Handling Centre	England	Ordinary	34%	(28)	PCC
Investments					
Intercopy AB	Sweden	Ordinary	7%	(9)	PGS
Media Asset Management AS	Norway	Ordinary	25.1%	(8)	PGS

(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 Malmö 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.

(16) Held via Ask SA

(17) Held via D'Haussey Solutions International SAS

(18) Held via Netprint Norge AS

(19) Held via MeillerGHP GmbH

(20) Held via Paragon Identification SAS

(21) Held via Bemrose Booth Paragon Limited

(22) Held via Burrall Infosys Limited

(23) Held via ASK Asia HK Limited

(24) Held via Paragon Customer Communications Limited

(25) Held via Lateral Holdings Limited

(26) Held via Lateral Group Limited

(27) Held via dsicmm Group Limited

(28) Held via Paragon Customer Communications (London) Limited

The financial statements of the above companies can be obtained from the Group's registered office.

Parent company financial statements

30 June 2017



Statement of directors' responsibilities

for the year ended 30 June 2017

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.

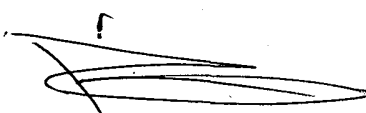
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


Parent company balance sheet

for the year ended 30 June 2017

		2017	2016
	Notes	€000	€000
Fixed assets			
Investments	4	74,999	74,942
		74,999	74,942
Current assets			
Other receivables	5	47	106
		47	106
Creditors: amounts falling due within one year			
Other payables	6	2,933	2,885
		2,933	2,885
Net current liabilities		(2,886)	(2,779)
Net assets		72,113	72,163
Capital and reserves			
Share capital	8	30,000	30,000
Capital redemption reserve		1,750	1,750
Retained earnings		40,363	40,413
Total equity		72,113	72,163

These financial statements were approved by the Board of Directors on 13 December 2017 and signed on its behalf by


Patrick J. Crean
Director


Laurent T. Salmon
Director

Parent company statement of changes in equity

for the year ended 30 June 2017

	Share capital	Capital redemption reserves	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
Dividend declared and paid in the year	(3,250)	-	-	(3,250)
Balance at 30 June 2016	30,000	1,750	40,413	72,163
	Share capital	Capital redemption reserves	Retained earnings	Total Equity
	€000	€000	€000	€000
Balance as at 30 June 2016	30,000	1,750	40,413	72,163
Loss for the year	-	-	(50)	(50)
Balance at 30 June 2017	30,000	1,750	40,363	72,113

Notes to the parent company financial statements

for the year ended 30 June 2017

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 and all values are rounded to the nearest Euros (€000) 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, Park House, 16-18 Finsbury Circus, London, EC2M 7EB. The principal accounting policies adopted by the Company are set out below.

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.

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 Consolidated Statement of Financial Position 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.

Paragon Group Limited's financial statements are prepared in Euro as the majority of the Company's transactions are denominated in Euro.

Investments

Investments are stated at historical cost in the Statement of financial position. Provision is made for any impairment in the value of fixed asset investments.

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.

Notes to the parent company financial statements (continued)

1 Accounting policies (continued)

Investments

Investments are stated at cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. 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).

An investment is derecognised upon disposal or when no future economic benefits are expected to arise. Any gain or loss arising on the derecognition of the investment is included in the income statement in the period of derecognition.

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 consolidated financial statement position 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 Consolidated Statement of Financial Position 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 on an undiscounted basis 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 Consolidated Statement of Financial Position 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 investments in the Statement of Financial Position 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.

Notes to the parent company financial statements (continued)

2 Profit from operations

As permitted by Section 408 of the Companies Act 2006, no income statement account of the Company is included in these financial statements. The loss for the financial period for the Company was €50,000 (2016: profit €1,289,000).

3 Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were €5,000 (2016: €5,000).

4 Investments held as fixed assets

	2017	2016
	€000	€000
Cost:		
At 1 July	74,942	74,942
Additions	57	–
At 30 June	74,999	74,942

The above are unlisted investments. The principal trading subsidiaries are listed in note 33 of the Group financial statements.

5 Other receivables

	2017	2016
	€000	€000
Amount due from related undertaking	47	106

6 Other payables

	2017	2016
	€000	€000
Amounts payable to Group companies	2,681	1,510
Dividend due to shareholders	252	1,375
	2,933	2,885

Notes to the parent company financial statements (continued)

7 Related party transactions

Transactions and year-end balances with related parties were:

	2017	2016
	€000	€000
Interest payable to shareholder	15	14
Dividend payable to shareholder	252	1,375
Interest received from companies with common key management personnel	1	45
Amounts due from companies with common key management personnel	47	106

Companies with common key management personnel include Grenadier Management Limited.

Details of the directors are given on page 1. Key management personnel are considered to be the directors.

Balances due to/from wholly owned group entities are included in notes 5 and 6.

The Company has taken advantage of the exemption in IAS 24 from the requirement to disclose transactions with Group undertakings.

8 Called up share capital and share premium account

	2017		2016	
	No.	€	No.	€
Allotted, called up and fully paid				
Ordinary Class A shares of €1.00 each	15,789,474	15,789,474	15,789,474	15,789,474
Ordinary Class B shares of €1.00 each	14,210,526	14,210,526	14,210,526	14,210,526
	30,000,000	30,000,000	30,000,000	30,000,000

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