

PARAGON GROUP LIMITED

REPORT & FINANCIAL STATEMENTS

30 JUNE 2018

PARAGON
GROUP



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Presentation of results and annual review
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We've built
our reputation
on combining
intelligent solutions
with precision,
commitment and
reliability...

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

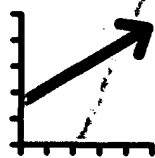


**Record
Sales and
profitability**



**6
Acquisitions**

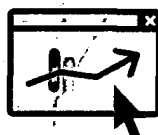
2018 has been a record year for acquisitions, growth and advancement in technology for Paragon Group...



€673m

Sales

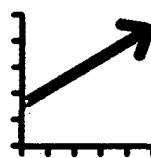
+52% growth



€42m

**Underlying
EBITDA²**

+53% growth



€736m

**Proforma
Sales³**

+67% growth



€45m

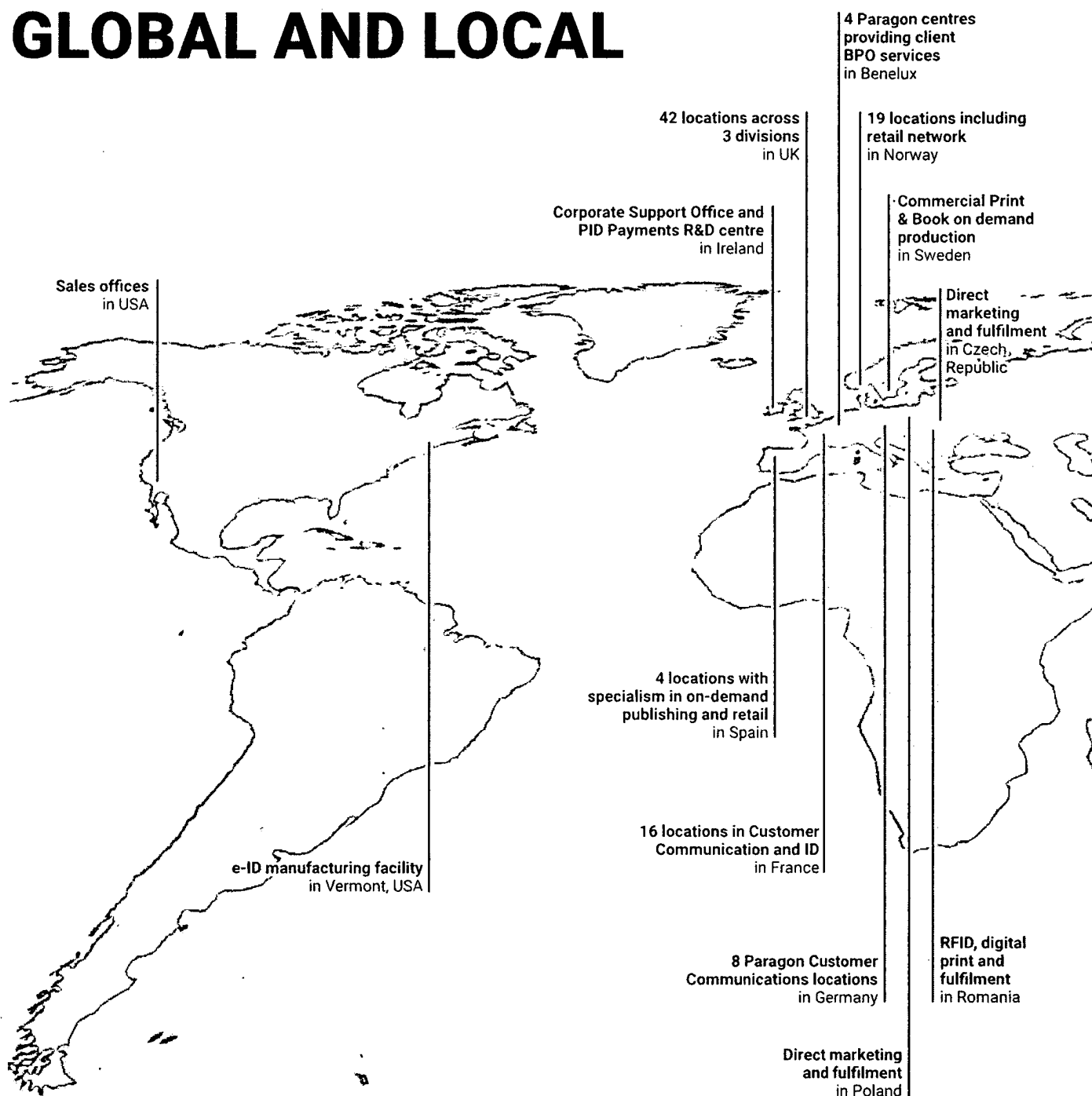
**Proforma
EBITDA³**

+62% growth

2. Underlying EBITDA is defined in Note 2(r) on page 69.

3. Proforma sales and EBITDA is defined in Note 2(s) on page 69.

PARAGON GROUP GLOBAL AND LOCAL



IRELAND

- Corporate Support Office
- M&A, Finance and Operations
- International Sales and Marketing
- Software development
- Paragon ID Payments R&D centre

UK

- 42 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

SPAIN

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

BENELUX

- 4 Paragon centres providing client BPO services



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 nearly 6,000 strong.

Sales offices
in Australia

GERMANY

- 8 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

- 4 sophisticated production facilities
- Czech Republic and Poland providing direct marketing and fulfilment
- Romania provides 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

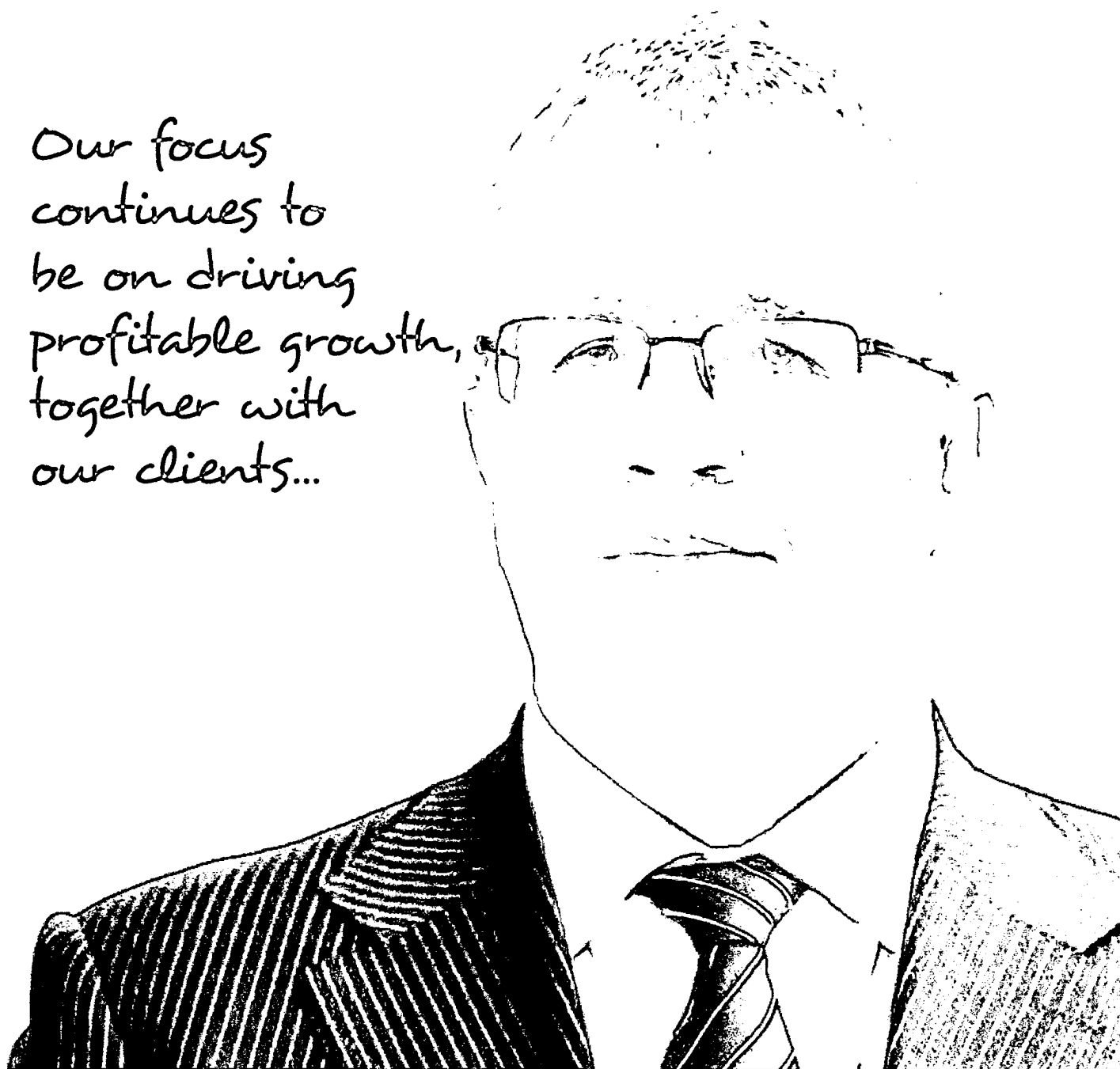
USA

- e-ID manufacturing facility in Vermont
- Sales offices on east and west coasts

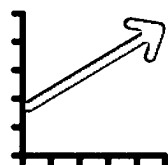
REST OF WORLD

- Sales offices in Australia

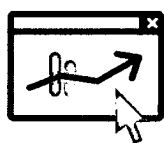
Our focus continues to be on driving profitable growth, together with our clients...



PROFORMA PERFORMANCE



€736m
Proforma
Sales³
+67% growth



€45m
Proforma
EBITDA³
+62% growth



1.7x
Net debt /
Proforma
EBITDA³



€117m
Cash

3. Proforma sales and EBITDA are defined in Note 2(s) on page 69.

STATEMENT FROM OUR CEO

Paragon Group continues to deliver outstanding growth. With improved market focus and financial strength, we expect to continue delivering growth in line with our objectives, taking into account the fast-changing market dynamics.

Outstanding Growth

I am pleased to report a year of strong growth in line with our strategic objectives. In the financial year ended 30 June 2018 Group revenue grew by 52% and our underlying EBITDA² grew by 53%. Both grew in line with our guidance in last year's report. Our growth from acquisitions came from the full year impact of DST Customer Communications in the UK and Paragon ID SA in France (previously known as ASK SA), along with six acquisitions completed during the fiscal year: Docsellent in Germany; St Ives Managed Services (SIMS), DMS, Kingswood and FT Solutions in the UK; and Amatech Group in Ireland.

The Group also achieved a strong organic revenue growth of 7%. This growth has come from our increased ability to compete for larger complex contracts with major national and international clients, representing the Group becoming a scale player in each of our key markets and the changing profile of the contracts we are winning.

We successfully undertook complex integration and industrial and commercial remapping projects across the Czech Republic, France, Romania and the UK, along with repositioning the Paragon ID worldwide footprint. Our focus continues to be on driving profitable growth, together with our clients.

Adapting to the global business environment

The Group is in a strong financial position, and while we foresee potential headwinds in the markets we serve in the next 12 to 24 months due to uncertainties in the global business environment, we believe we are well placed to take advantage of the opportunities that will arise.

Market dynamics

The market dynamics continue to evolve. Social communications and the ubiquitous use of mobile devices for everything from email to access control, banking and payments create a fast-changing environment. Paragon is very often involved in guiding our clients through these changes. The variable pace and direction of change leads to great opportunities for Paragon.

Market consolidation will continue

Consolidation continues in our markets. Paragon is at the forefront of this consolidation, driving innovation and better solutions for our clients, who increasingly demand suppliers to align closely to their strategic objectives: with scale, reach and specialist capabilities to manage critical processes for them.

Compliance and Regulation

We operate in a time of increased regulation and concerns over privacy for both ourselves and our clients. Compliance and regulation are front of mind for our clients. Paragon continues to develop stronger processes, and adopt new standards across the Group, demonstrating our ability to manage these regulatory demands. Our successful implementation of GDPR both for ourselves and our clients is testament to this.

Overall, Paragon is well placed to thrive and prosper in today's business environment, and we feel confident in our ability to maintain our growth trajectory. We will proceed with appropriate prudence in our expansion activities for the coming period.

2. Underlying EBITDA is defined in Note 2(r) on page 69.

Acquisitions

In 2017/18 we very much focused on the integration of the acquisitions completed during the prior year. In the forthcoming financial year we will continue to focus on integrating acquisitions completed in 2017/18. In addition to the six acquisitions completed in 2017/18, we have already entered into some post Statement of Financial Position events relating to acquisitions. I would like to welcome the teams from each of our newly acquired companies to Paragon – your energy and ideas will contribute to the success of the Group.

Well positioned for the future

Our positioning for the future is built on solid foundations: operational discipline, market presence, and strong financials. A core principle of Paragon Group is that we maintain strict operational discipline. This discipline continues to contribute to our profitability and ability to react to market changes.

We have exceptional clients, with whom we have long term relationships. Our average length of relationship with our top 100 clients is more than 15 years and we are building closer relationships with them, based on deeper cooperation and a greater number of services delivered. The structuring of the Group into three market focused businesses and the development of our brand internationally will greatly assist with future organic growth.

Our track record in identifying, completing and integrating acquisitions which support our priorities is key: we have a strong team with enormous experience, ensuring we make the right decisions and balance growth, synergies, and value.

We believe that further opportunities for growth will arise and we have the agility and financial strength to take advantage of this.

Outstanding businesses

Each of our three businesses - Paragon Customer Communications, Paragon ID and Paragon Graphic Services - has the scale, geographic spread and market focus to deliver the best service to its respective client base. We recognise the different requirements of the clients for each business and have organised accordingly, but also encourage cross selling and joint projects between the businesses.

Paragon Customer Communications

Paragon Customer Communications focuses on delivering outstanding communications between our clients and their customers. With an innovative, technology driven approach, the business helps clients transform and digitise customer journeys and experiences. The business has significant scale in the UK, France and Germany, further operations in Benelux and Eastern Europe, as well as an international supply chain and the support of the broader Paragon Group structures. PCC operates in all major sectors with a particular focus in Financial Services, Retail, Automotive and Utilities sectors.

Paragon ID

Paragon ID is a technology company, with a principal focus on RFID technologies which are becoming increasingly ubiquitous in the age of IoT and mobile connectivity. The business employs agile manufacturing capability and a global supply chain to serve clients around the world: more than 40 countries, 200 cities, and a growing list of major brands and sovereign states as clients. The business goes to market with four key offerings: e-ID is the provision of electronic passport covers, driving licences and ID cards; Transport & Smart Cities includes smart cards, tickets and mobile device connectivity for mass transit applications; Traceability and Brand Protection tracks and traces high value goods through the supply chain; Payments includes secure payment cards and related technologies.

Paragon Graphic Services

Paragon Graphic Services produces digital print in small format, for marketing materials such as brochures and flyers and large format for the growing markets of point of sale and interior branding products. PGS also produces promotional products and supplies products and services to the print trade. During the year we created a new business Global Document Systems. Our long experience in the construction sector producing plans for architects and construction companies has developed into Digital Document Management systems, Virtual Reality and Augmented Reality solutions.

OUR CORE VALUES AS A GROUP ARE AGILITY, INTEGRITY AND PARTNERSHIP



AGILITY

As a privately-owned business we have the capacity for quick decision making. The entrepreneurial culture extends to local teams that are highly responsive to client needs and focused on rapid project deployment and delivery.

Continuing towards our strategic objectives

Delivering growth and profitability

In 2018 our sales grew by 52% to €673 million and underlying EBITDA² grew by 53% to €42 million. Paragon Group has achieved continued growth for more than a decade, and exceptional growth since 2014. Our Compound Annual Growth Rate is 30%. We are well funded, with cash on hand of €117 million and a low net debt to EBITDA² ratio of 1.7x. We completed a further oversubscribed bond issue during the year of €89 million, bringing our total raised from bonds since December 2016 to €141 million.

Building scale in our strategic businesses

The organisation of the Group into three distinct businesses gives clear strategic direction to each one and allows us to build scale for each business. The market needs, operational disciplines, acquisition strategy and technology focus have all been refined for each business. While the businesses remain linked and share the advantages of overall scale and experience of the Group, this enhanced focus is expected to bring improved performance in the future.

Continued development of our technology base

Paragon has for many years focused on developing its own technology platforms, as well as implementing solutions from industry leading providers. Our client-facing systems allow for total flexibility in designing client solutions; for technologies such as AI and dynamic document composition we work with the best global providers, applying our own experience and algorithms.

Financial and operational discipline

We implemented new financial systems in multiple countries as well as a Group-wide financial reporting system. We demand strict adherence to reporting standards for all operations and have structures in place to monitor and react to deviations from performance targets.

Looking ahead to a strong future

Our focus for the future remains on driving growth and improving profitability. The hard work in growing and structuring the business has given us a tremendous foundation for future success. We are engaged in many exciting opportunities for the coming year, and as we work closely together with our clients, our supply partners and our exceptional team of talented people, we can be confident of maintaining our record of success.

Patrick J Crean
Chief Executive Officer



INTEGRITY

There is a strong culture of trust, security and reliability running through the business. Paragon is trusted with mission-critical processes for its clients and has been producing secure, critical documents since 1886.



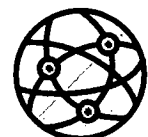
PARTNERSHIP

We pride ourselves on being a long-term partner to our clients and suppliers. Our deep relationships with our clients are coupled with supplier relationships and strategic technology partnerships, allowing us to develop integrated solutions for our clients which are of benefit to all parties.



PEOPLE

None of the outstanding progress we have made in recent years would be possible without our exceptional people. I want to thank all of the men and women in the Paragon Group who work tirelessly to deliver exceptional service to our customers and help drive our Group forward.



OUR EXCEPTIONAL CLIENT BASE

During the year we have been privileged to welcome new customers to Paragon and to renew significant contracts with our existing clients. The Group culture is focused on delivering outstanding client services to all our clients on an ongoing basis. I want to thank our clients for the trust they place in Paragon as we take responsibility for delivering critical parts of our clients' business.

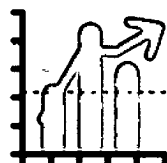
2. Underlying EBITDA is defined in Note 2(r) on page 69.



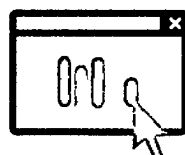
STATUTORY PERFORMANCE



SALES
€673m



**UNDERLYING
EBITDA²**
€42m



NET DEBT
1.7x
Net debt /
Proforma
EBITDA³



CASH
€117m

1. EBITDA is defined in Note 2(q) on page 69.

2. Underlying EBITDA is defined in Note 2(r) on page 69.

3. Proforma EBITDA is defined in Note 2(s) on page 69.

STATEMENT FROM OUR CFO

During the financial year ended 30 June 2018, Group sales have reached €673 million, this is 52% ahead of prior year (2017: €442 million). Thanks to recent acquisitions, the Groups proforma sales³ have reached €736 million, which is a 67% increase when compared to June 2017.

Key facts and numbers for 2018:

- Cash invested in acquisitions €17 million
- Net Debt reduction of 9%, down to €78 million
- Net Debt to EBITDA ratio now down to 1.7x
- Cash in bank +166% at €117 million
- New 7-year bonds listed on the Luxembourg MTF market €89 million.

Continuing our growth trajectory

Paragon Group continued to demonstrate its alignment with Group strategy by achieving significant growth during the year. Sales have increased by €231 million, a 52% increase from 2017, resulting in consolidated sales of €673 million (2017: €442 million).

Underlying EBITDA² has reached €42 million, a 53% increase compared to the underlying EBITDA² reported in June 2017 (2017: €28 million). The underlying EBITDA² growth achieved in 2018 is in line with the Proforma EBITDA³ reported in our 2017 financial statements (2017: €41 million).

Due to the Groups continuous acquisition strategy, the directors of the Company consider underlying and proforma figures to be fundamental to the readers understanding of the Group's performance. The directors believe that it would be incomplete to exclusively report Statutory performance figures. Although the Consolidated Statement of Financial Position includes the impact of recent acquisitions, the Consolidated Income Statement does not include a full twelve months of trading from acquisitions made during the financial year. Consequently, we have used a full twelve months proforma to enable a full comparison to be made. Underlying EBIT² and EBITDA² are stated after adjusting for items which are due to their nature, size or incidence. Non-underlying items are explained further in the Notes to the financial statements.

The Group recorded a strong operating profit of €15 million (2017: €18 million). This was achieved despite an €11 million increase (+87%) in depreciation and amortisation charges. Depreciation and amortisation charges have increased to €24 million in 2018 (2017: €13 million), which demonstrates

the Group constant strategy to invest in the best and newest technologies.

The Group has discontinued operations in China and the Netherlands at a cost of €2 million during the year.

Our Profit for the year was €7 million (2017: €12 million). Excluding non-underlying items (being gains made on acquisition and integration costs associated with these acquisitions as per Note 8), this amounts to €11 million (2017: €9 million), which is a €2 million increase in underlying profitability year on year.

Strong performance delivered through strict financial and operational discipline

We continue to manage the Group with robust operational and financial discipline and 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 operated across Paragon and are introduced in acquired companies to ensure that they adhere to the Group's relentless push towards greater operating efficiency. All Group companies operate with the discipline of monthly management reporting and reviews to discuss performance and outlook, with specific focus on sales development and pipeline, cost control management, cash flow forecasting and working capital management. Our capital expenditure planning is based on strict ROI parameters.

Favourable debt and financing position

With €117 million of cash available on our Consolidated Statement of Financial Position (2017: €44 million), the Group's prospects for future acquisitions remain excellent, especially in light of an economic climate that remains favourable to consolidation. The Group issued an additional €89 million of Euro Private Placement Bonds on the Luxembourg MTF market between April and May 2018.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

2. Underlying EBIT and EBITDA are defined in Note 2(r) on page 69.

3. Proforma sales, EBIT and EBITDA are defined in Note 2(s) on page 69.

Sales**€673 million**

2018	673
2017	442
2016	400
2015	315
2014	178

Underlying EBITDA²**€42 million**

2018	42
2017	28
2016	24
2015	15
2014	9

Net Debt/EBITDA multiple***1.7x**

2018	1.7
2017	2.1
2016	1.7
2015	3.1
2014	3.8

The bonds were oversubscribed on the market, demonstrating the investors' interest in the Paragon strategy. These bonds, repayable entirely in 7 years' time (April 2025), currently carry a 4% interest rate. This additional bond raising has been undertaken to maintain and facilitate Paragon Group's acquisition strategy. Despite our recent year-end acquisitions, the Group net debt multiple remains very low at 1.7 times EBITDA, leaving significant headroom for further market consolidation. Our net debt position at the end of June 2018 consequently remained very low at €78 million.

Appointment of new auditors

We appointed new auditors in 2018. Having been with the same auditors since 1998 the board decided to invite competitive bids for the auditing services, for the sake of good governance. Grant Thornton UK LLP were selected following a process of evaluating a number of competitive offers. The board thanks EY for 20 years of excellent service and looks forward to working with our new auditors.

Pre and post Statement of Financial Position acquisitions

The Group has acquired six businesses since June 2017, making 2018 another year of solid growth. These acquisitions have propelled the Group proforma sales to €736 million for 2018, a 67% increase in comparison to the June 2017 figures. All newly acquired companies and businesses have immediately been rebranded to Paragon in line with our overall corporate strategy.

Subsequent to 30 June 2018, the Group continued its acquisition strategy. The acquisition in July 2018 of Imprimus Limited (formally Stralfors UK) enhances our transactional document management offering. In September 2018 the Group increased its investment in BeeBuzziness SAS to 14% of the entire issued share capital. In October 2018 the Group acquired the trade and certain assets of Prisme Solutions SAS in France. Also during October 2018, the Group acquired part of the trade and certain assets in France of Arvato France. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of Airweb SAS in France. In November 2018, the Group, having received approval from the German anticartel office, will complete the acquisition of the rcDDM Group in Germany. rcDDM Group is a perfect fit for our expansion strategy and will bring our annual revenues in Germany well above €160 million. In November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration. Predominantly located in the UK, they also have operations in Hong Kong and New York. These acquisitions all occurred post year-end and have not been included in the above proforma figures.

Laurent T Salmon
Chief Financial Officer

* Net Debt at the end of June 2018 divided by the Proforma EBITDA 2018 as per the Financial Covenants calculation to the bond holders.

2. Underlying is defined in Note 2(r) on page 69.

3. Proforma is defined in Note 2(s) on page 69.

Underlying Income Statement Trend

	2014 €000	2015 €000	2016 €000	2017 €000	2018 €000
Revenue from sale of goods & services	178,351	315,337	400,439	442,187	673,095
Operating costs	169,026	299,956	376,141	414,467	630,825
EBITDA²	9,325	15,381	24,298	27,720	42,270
Depreciation and amortisation	4,773	10,686	12,225	12,748	23,878
EBIT²	4,552	4,695	12,073	14,972	18,392
Net finance costs, share of equity investments, dividends and gain/(loss) on disposals	806	1,982	3,097	4,455	6,180
Income tax charge(credit)	894	468	(1,397)	1,525	1,249
Profit for the year from continuing operations	2,852	2,245	10,373	8,992	10,963
Bridging to the Statutory profit for the year:					
Profit for the year from continuing operations	2,852	2,245	10,373	8,992	10,963
Losses on discontinued operations	-	-	-	-	(2,371)
Non-underlying items net of tax	3,917	4,797	(3,626)	3,184	(1,226)
Profit for the year	6,769	7,042	6,747	12,176	7,366

2. Underlying EBIT and EBITDA are defined in Note 2(r) on page 69.

PARAGON GROUP BUSINESS REVIEW

During this year we implemented significant change with strong growth and increased focus, serving our clients and their customers globally while continuing the transformation of our business.

Integration of acquisitions

We integrated significant acquisitions from 2016/17 including DST, Paragon ID SA (previously known as ASK SA) and six others, and we acquired and integrated six other businesses during this financial year. Our ability to identify and complete acquisitions; and to successfully and quickly integrate them to the Paragon Group, is critical to our ongoing success. We rapidly deliver on readily-identifiable cost synergies such as purchasing and shared services, while giving our longer-term focus to extracting growth synergies from cross selling and enhanced service offering. We also quickly introduce the Paragon culture and way of doing things into all our acquired businesses.

Rebranding

During the year we rebranded all businesses within Paragon Customer Communications (including UK, France, Germany, Czech Republic, Romania, Poland and Spain). We now serve our clients with a common identity, brand and increasingly harmonised offering across all markets and regions, greatly enhancing our ability to deliver international projects. We also rebranded within our ID business to become Paragon ID in all our operations, adding clarity in our communications to market.

New IT systems

We implemented the new Navision ERP/Financial system in Paragon Customer Communications UK and Paragon ID globally. For Paragon Group we successfully implemented our new cloud-based financial system for consolidation and closing of management and financial accounts.

GDPR

The introduction of GDPR had a significant impact on Paragon and our customers. We implemented new procedures and approaches to manage the introduction of GDPR, both internally to govern the processes around the significant volumes of customer data that we handle, and in projects for and with our clients to assist them in attaining the correct permissions and better managing their customer data.

Continuous improvement

In addition to our large-scale transformation projects, our operations team continued to drive our Continuous Improvement Programme (CIP) which is relentlessly focused on improving our performance. The CIP activities have contributed to overall Group profitability each year by constantly evaluating performance against a range of KPIs and internal benchmarks.

Restructuring and remapping

During the year we closed down five plants in our drive to increase efficiency. In addition we transformed our sales, supply chain and manufacturing process within Paragon ID.

We continued the evolution of our three separate businesses: Paragon Customer Communications, Paragon ID, and Paragon Graphic Services. Each of these businesses has a clear market positioning and is strongly positioned for future growth. We believe that each of Paragon's three businesses are now strong market leaders and ready to grow to the next level alongside our clients. The next section of this report will give a feel for the three businesses and their activities.

Seán Shine
Chief Operating Officer

...to
the next
...side
...ents...



6
Acquisitions



15
Countries



5700+
Employees

THE YEAR AT A GLANCE



JANUARY 2018
FT Solutions acquired.

AUGUST 2017

Strategic investment in BeeBuzziness, a French start up with a unique technology stack.



NOVEMBER 2017

Document Management Systems (DMS) in Caerphilly, UK and docsellent in Germany, acquired.



September 2017

Investment in BeeBuzziness

In September we made an investment in **BeeBuzziness**, a French start up with a unique technology stack for content management and delivery. Our participation in the investment round was accompanied by a commercial cooperation agreement.

November 2017

Acquisition of docsellent

The acquisition of **docsellent** in November 2017 was a key development for our presence in Germany. Docsellent, a fast growing company in the transactional document sector in Germany, brought an excellent management team and technology driven solutions to our German business.

Acquisition of DMS

We acquired **Document Management Systems (DMS)** in Caerphilly, UK. This business was subsequently combined with the business equipment division of our graphic services business in the UK to create a new business, global document systems; this business is specialised in pressure seal mailers.

January 2018

Acquisition of FT Solutions

FT Solutions was acquired and integrated into PCC UK. With specialism in the airline sector as well as 3D printing capabilities, the team from FT Solutions has since been working together with Paragon ID on RFID solutions for the airline industry.

February 2018

Rebranding PCC across Europe

We completed the rebranding of Paragon Customer Communications businesses in France, Germany, Czech Republic, Netherlands, Romania and Poland. Our Customer Communications business now goes to market with the same brand and identity in each market, with newly -acquired businesses being rapidly rebranded in a consistent style.



MAY 2018
Kingswood acquired.

MAY 2018

The GDPR regulations came into effect after much planning and anticipation. All Paragon businesses had compliance in place and we assisted clients in their compliance projects.



JUNE 2018

Thomas Simon, who joined the business with the docsellent acquisition, was named as CEO for PCC Germany.



**FEBRUARY 2018**

We completed the rebranding of Paragon Customer Communications businesses in France, Germany, Czech Republic, Netherlands, Romania and Poland.

MARCH 2018

The contract to supply the Oyster card in the UK was signed with a value of £2.2 million.

**APRIL 2018**

Paragon Customer Communications UK held a forum for its financial services clients.

**March 2018****Contract Win: Oyster**

The contract to supply the Oyster card in the UK was signed with a value of £2.2 million. Although not the largest contract in Paragon ID it is one of the most well-known and prestigious.

April 2018**Financial Services forum**

PCC UK held a forum for its financial services clients at which we announced our investment in Luxembourg, which is due to commence operations in the first half of 2019.

Bond issue

In April and May we issued €89 million of euro bonds via private placement on the Luxembourg MTF market. The bonds were over-subscribed. This brought the total number of bonds issued, since December 2016, on the Luxembourg MTF market, to €141 million.

May 2018**GDPR**

The GDPR regulations came into effect after much planning and anticipation. All Paragon businesses had compliance in place and we assisted clients in their compliance projects.

Acquisition of Kingswood

We completed the acquisition of **Kingswood** in the UK. Kingswood has a 24 hours London location serving Financial Services clients in the City, and large format expertise for display and point of sale markets.

June 2018**New CEO in PCC Germany**

Thomas Simon, who joined the business with the docsellent acquisition, was named as CEO for Paragon Customer Communications Germany. Thomas has built a combined organisation for Paragon in Germany providing a platform for future growth and is focused on both organic and acquisition growth in the German market.

Acquisition of SIMS

St Ives Managed Services (SIMS) was acquired, bringing exceptional clients, new software platforms and a dynamic and creative team.

Subsequent Events

Subsequent to 30 June 2018, the Group continued its acquisition strategy. The acquisition, in July 2018, of **Imprimus Limited** enhances our transactional document management offering. In September 2018, the Group increased its investment in **BeeBuziness SAS** to 14% of the entire issued share capital. In October 2018, the Group acquired the trade and certain assets of **Prisme Solutions SAS** in France and of **Arvato France**. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of **Airweb SAS** in France. In November 2018, the Group acquired the trade and certain assets of **Paperhat Communications Limited** in Administration. In November 2018, the Group will complete the acquisition of the **rcDDM Group** in Germany.

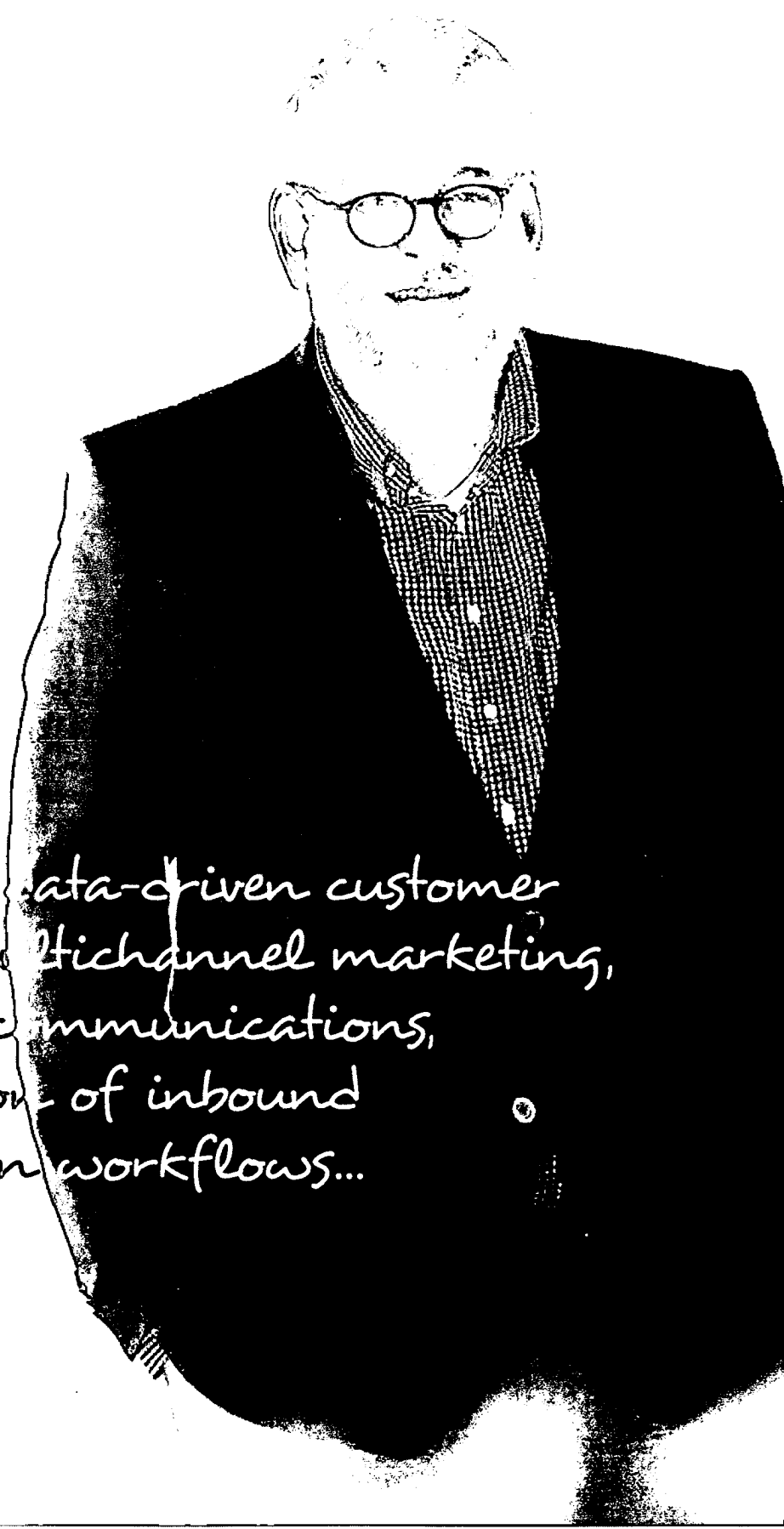
JUNE 2018

St Ives Managed Services (SIMS) was acquired, bringing exceptional new clients.

**SUBSEQUENT EVENTS**

Following year end we continued with our strategic acquisition strategy.





Encompassing data-driven customer engagement, multichannel marketing, transactional communications, and automation of inbound communication workflows...

PARAGON CUSTOMER COMMUNICATIONS

Offering a complete communications solution, Paragon Customer Communications (PCC) is positioned to help our clients connect with their customers with communications that are always on, personalised and consistent across every channel.

This is achieved through people expertise, technical solutions and extensive, multi-channel delivery capabilities; we have continued to develop and invest in these areas to ensure our proposition remains aligned to our clients' ambitions. Encompassing data-driven customer engagement, multichannel marketing, transactional communications, and automation of inbound communication workflows, our solutions are now able to support any stage of the customer communications journey, putting Paragon in a unique and market-leading position for 2019 and beyond.

Paragon Customer Communications (PCC) operates internationally, with a focus on the largest European markets, namely Germany, France and the UK. PCC also has production and service facilities in Benelux and Eastern Europe, and an international client base served by Paragon facilities and a global supply chain.

Paragon Customer Communications has clients of all sizes and from every market sector, however it is increasingly focused on large, multi-year contracted business with blue chip clients. Our strategy to reach a leading position in each market where we operate is paying dividends as we are increasingly competing for and winning multi-year, multi-million euro contracts in each of our core markets.

Three Strategic Pillars

Paragon Customer Communications is focused on three strategic pillars: marketing services, transactional and regulatory document management, and inbound communications.

The **marketing services** business includes production facilities in Schwandorf (Germany), Nottingham and Peterborough (UK), Nyrany (Czech Republic), Strasbourg & Cosne-sur-Loire and Lille (France), Krakow (Poland), Bucharest (Romania) and Alphen (Netherlands), along with customer engagement teams in London, Paris and Düsseldorf delivering data analytics and creative services. The business will continue to move towards data driven individualised communications and is making additional technology investments to deliver on this vision. Further partnerships and acquisitions are expected to enable the provision of upstream digital and data services.

Paragon is now a market leader in **transactional and regulatory document management** with an unrivalled capacity to compete for large-scale outsourcing opportunities, from sites in Korschenbroich, Weingarten and Magdeburg (Germany), Bristol and Dagenham (UK), Blois (France), Krakow (Poland), and Alphen (Netherlands). Paragon will shortly begin operations in Luxembourg providing regulatory communications output for the financial services sector.

The business is increasing its focus on **inbound communications**. The German operations in Dettingen (Germany) have been developed and new customer contracts signed; additionally a major German bank has recently contracted Paragon to manage its inbound communications, starting in early 2020. This is in addition to our existing expertise in the Benelux operations and recent expansion of inbound services in Sunderland (UK).



Thomas Simon, CEO
PCC Germany

PCC Germany

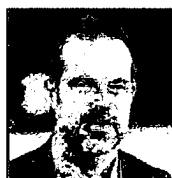
Paragon Customer Communications Germany had a year of significant growth and re-organisation. At the start of the financial year Paragon's German operations consisted of the former MeillerGHP business in Schwandorf and Dettingen. Today, PCC Germany encompasses eight locations, and is uniquely placed to compete at a time of enormous potential in the German market. This has been accomplished by bringing together established market-leading operations under strong and visionary management.

Organising for success

A new management board for Germany will deliver targeted growth through an expanded range of solutions and further acquisitions. The board consists of Thomas Simon (CEO), Philippe Coquelet (CFO), Thomas Sperl (CTO) and Alexander Schäfer (CSO). The management board is responsible for the entire German organisation as well as locations in Strasbourg (France) and Nyrany (Czech Republic), which primarily serve the German market.

The individual businesses acquired in Germany have been brought together under this single management organisation and single Paragon Customer Communications Germany brand. The rebranding of docsellent and MeillerGHP took place during the first half of 2018.

The foundation has now been laid for the development of central services in sales, HR, finance, IT-infrastructure, IT-development and marketing. As part of the integration of acquired businesses to the wider Paragon Group, Paragon software products such as PEP were included into the German offering; German software developers are now working together with their international colleagues to deliver customer solutions for the German market.



Guilhem Boucon, CEO
PCC France

PCC France

PCC France has strengthened through 2018, with strong organic growth alongside production investment and significant service offering innovation.

Relationships with key existing clients have continued to deepen and expand, especially in the banking sector, while new wins have helped drive enhanced service offerings. We supported a move to smarter production and distribution for a large logistics client, with RFID tags on each package enabling tracking of each piece from production to store to end customer.

PCC France has also invested in disruptive start-up technology company BeeBusiness and its universal cloud platform for media distribution. (See Technology at Paragon section, page 39).

Strengthened management

Guilhem Boucon was recently appointed as CEO for PCC France. Guilhem has been in management positions within Paragon since joining from 3M in 2007 and has been the driving force for the consistent organic growth and transformation of the business over the past decade.

PCC France is organised internally with three main areas of operation: Service operations, Industrial operations, and Technology operations. To strengthen our management team during the year we welcomed Florence Maurice as Operations Director for Marketing Services and Jérôme Goulet as Industrial Operations Director, both who bring significant experience to the business. Technology operations remain under the leadership of Sylvain Daoust.

New location

In October 2018 the offices of PCC France were relocated to a larger, more modern facility in Nanterre on the outskirts of Paris, providing additional space and an attractive work environment for the fast growing team of project managers, developers, solution architects and client services teams.



Case study

PCC France

Major French Bank

PCC France has a long history in supplying the financial services sector in France, originally with operational documents and now extending to a wide range of services and solutions.

In 2017, PCC France won an important tender with one of the top 5 banks in France, almost doubling the sales to a client which has been a customer for more than 40 years. The new contract has doubled total revenue from the client, who is now the largest customer of PCC France.

This tender for "platform and important volumes" was a multi-faceted project that brought closer integration between Paragon and the client.

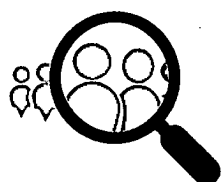
What we do:

- Digitisation of the client's processes and print.
- Management of all print including marketing, operational and direct mail.
- Cost optimisation through an assessment of their current processes and purchasing. We are creating savings through product engineering and economies of scale offered by the PCC network.

The delivery of the complex solution relied on the successful implementation of several tools within our "PEP" platform:

- PEP PM, our supply chain platform for procuring print and other services.
- PEP DAM, our digital asset management platform.
- PEP Web2print, allowing the client to order online for physical production of personalised products.
- PEP Report, our bespoke reporting tool which provides detailed MI to the client.

PCC France works with the headquarters of the client in Paris, its regional offices, its subsidiaries and joint ventures. In total we speak to over 100 representatives on a daily basis.



Focus on... PCC Luxembourg

Paragon Customer Communications is continuing our European expansion with a new operation in Luxembourg.

The expansion is being led by the UK team, building on its long experience with regulatory communications.

The new location will constitute a key part of a wider strategic expansion, enabling us to offer a full end-to-end, inbound to outbound service and enhanced customer experience for our financial services clients, as well as customers in other industries.

Our Luxembourg operations will operate under the same stringent, client-focused processes and procedures that underpin our ongoing relationships with some of the leading financial services companies across the UK and Europe and will be managed via a single platform, with the same IT and infrastructure processes as our existing operations. Most importantly, the expansion and added capabilities will generate major new commercial opportunities for our financial services clients.

This expansion will attract new client contracts as well as extensions to existing relationships, enabling us to partner with some of the world's biggest financial service brands.

*Lorna Glynn,
Client Experience Director in the UK,
is also heading up the Luxembourg operations
as Managing Director for this new venture.*



Jeremy Walters, CEO
PCC UK

PCC UK

In the UK, the former Paragon UK and DST businesses have been successfully integrated under the Paragon Customer Communications brand, while continuing to perform to the highest level and deliver exceptional service to existing clients. The business delivered organic growth, while refining its product and service offering, and expanding into new market sectors and winning international, transformative contracts.

A recent internal organisational restructure has primed the business to fully exploit the opportunities in front of us, with the right expertise and capabilities aligned to clear, consolidated roles and responsibilities. From a client's perspective, Paragon Customer Communications UK will continue to operate as one business, while the products and solutions we deliver for our clients and the sites where the work is done will be restructured to ensure we are best placed to meet the developing requirements of our clients.

Vision and values

As part of this alignment and growth, Paragon Customer Communications UK has introduced a new vision and values to emphasise the objectives and highlight the goal of the combined UK business. The vision *'Together, delivering the future of brilliant customer communications, globally'* underpins all UK activities. The unifying company values have been introduced to inspire new ideas, guide better choices and recognise the value in diversity of thought. The values are:

- **Inspiring** – We will inspire each other in our work and give inspiration to our customers, fulfilling our promises of high-quality delivery in everything we do.
- **Empowering** – We will empower our teams to deliver with care and precision, challenging the status quo and finding new ways to grow our company and each other. We encourage healthy debate and differences of opinion.
- **Confident** – Be confident in ourselves to deliver our very best in all we do, holding ourselves accountable for results.
- **Customer focused** – We are committed to listen and respond positively to our customers' needs, building lasting relationships with our clients and associates.
- **The best people** – We are passionate about our people. We will develop, inspire and create opportunity to progress and develop, adding value to business and customers.

These values build on our Group core values.

New business wins

Paragon Customer Communications has won significant new client accounts during 2018, proving our attractiveness in the market and the strength of our vision and investments for the future.

Within banking and financial services, we have signed new business agreements in all markets including HSBC, Prudential, Newday, Apobank, and a major French bank. These wins build on our extensive experience of delivering customer communications and transactional mailings to millions of people across Europe.

Contracts with Air Kiribati, Air Djibouti and Scandinavian Airlines demonstrate that our all-round provision to the travel sector grows year on year.

We have also agreed new business deals with a number of the biggest names in the utilities and telecoms sectors, including EE and Yorkshire Water, while other key UK business wins include Royal Mail and NewsUK.

For News UK and Ireland, PCC will provide a variety of services, including direct mail, merchandise, Point of Sale items, merchandise and print.

Paragon France led an important international win, providing logistics and IT solutions for the TOTAL energy group, including data management and personalisation of electronic fuel and toll badges.

Technology investments

Investment in technology is vital to our success: driving continuous improvement of our day-to-day delivery, increasing quality and capacity, reducing wastage, improving speed to market and mitigating against risk. We continue to prioritise this across our facilities, giving our teams the best tools to do the job.

Across the business we upgraded digital print capabilities and automated mailing and enclosing lines to provide the most efficient, verified and error free handling of physical communications.

Our investment in software and systems for inbound and outbound communications is at its highest level ever, with offshore teams in place to support significant numbers of developers and analysts internally.

Robotics programme

As part of our investment in cutting-edge production approaches, Paragon has implemented MiR200 automated guided vehicles (AGVs) at our Bristol site. The AGVs carry raw materials from the warehouse to the shop floor and return complete goods to the warehouse. They are in operation 24 hours a day, each covering 15-20km per day. (see Technology section page 40 for more information)

New HR system

A new self-service HR system in the UK brings greater autonomy for all employees for their HR requirements allowing authorisation and monitoring control for managers and an overall management platform for team members. Every employee in the business is set up with a self-service account that provides access to company news, updates and organisational chart information, an ability to request leave and view absence records along with viewing and updating personal qualifications.

Line managers also can also request changes to employment terms for their direct reportees, manage holiday requests from team members, carry out probation reviews and manage new requirement requisitions.

The system, which was launched in Q1 of 2018, links all the HR resources together and provides a fully integrated and efficient platform.

Governance and risk

Governance, risk, compliance, security and sustainability are critical concerns for our client base and our highest standards in this area have been recognised through further accreditation and certification.

Sustainability

Our Governance, Risk and Compliance team complete an annual sustainability assessment with Ecovadis, as required by several of our larger clients, to provide supplier sustainability ratings for Environment, Fair Labour Practice, Ethics and Supply Chain Management. In our third year of assessment, Paragon has achieved a gold rating – putting the Company's sustainability in the top 3% of 30,000 suppliers assessed globally.

Energy management

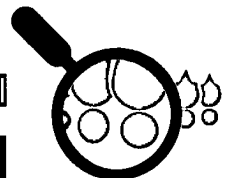
Following a three-year strategic review of our Energy Management system certification undertaken by BSi, Paragon Customer Communications undertook a re-certification audit for ISO 50001 Energy Management which was achieved with no non-conformances.

Information security

Paragon Customer Communications UK has recently completed the accreditation process for FSQS, an independent qualification for the financial sector designed to standardise and manage requests for compliance and assurance data for major financial services organisations. This allows us to further support our clients with the highest level of information security.

Focus on...

Inbound



Inbound communications services are an essential part of Paragon Customer Communications' portfolio and an area where we are expanding rapidly.

We have more than 20 years' experience in this area.

We have added increased sophistication of our offering through continuous investment and development over many years. We are expanding our services around Europe to manage the full communications loop for many of our clients.

Today we implement full Business Process Outsourcing solutions, where we manage all the administrative handling, combining all channels to a single digital workflow, classifying information so it is handled in the most efficient way by our client, and pre-processing communications before handing over to our clients' core business processes. The result is a major reduction in customer response time – a critical factor in providing a satisfactory customer experience.

AI and Robotic Process Automation

The need to respond to customers as quickly as possible drives increased automation. Robotic Process Automation (RPA) is already very effective for handling standardised and repetitive processes, such as insurance applications. We have a future focus on RPA, with several pilot projects planned.

Benelux

During the year we increased the capabilities of our inbound platform in Belgium and the Netherlands, both in our internal development teams and software we also moved our location in Belgium to a much more secure and modern facility to support our growth ambitions. In the Netherlands, we invested in IT infrastructure and gained ISO 27001 and ISAE3402 accreditation for data security and assurance.

UK

In the UK we significantly upgraded our inbound capabilities at our secure Sunderland site to transform it to become our premier UK inbound facility, handling more than 15,000 inbound pieces per day. After significant investment in the latest technology and processes, the site is now operating at best practice level, focused on complex inbound BPO contracts with high levels of unstructured content and a demanding regulatory environment.

Sunderland security was further significantly enhanced with additional systems installed for operations, access control and secure storage. We recruited 75 people to run new operations and contracts, with all staff BPSS security cleared and extensively trained before entering the live environment. Ongoing compliance training ensures staff are at the forefront of regulatory requirements.



GDPR

We have always recognised our responsibilities to respect and protect client data whilst in our care. Our compliance with ISO standards like 27001, 22301, and 9001, as well as our PCI attestation in the UK, already provide significant audit and controls confidence.

The legislative changes to GDPR gave us an excellent opportunity to engage our staff and our clients to really focus on data and information security.

The PCC Enterprise Governance, Risk and Compliance team developed a framework and roadmap to ensure the transition to GDPR was successfully completed and integrated into the business' DNA, as well as being communicated to our customers and staff appropriately wherever changes to our existing governance, policy and process was required. All our PCC businesses are now GDPR compliant.

Acquisitions

In PCC we undertook a number of strategic acquisitions in our target markets as we continue to build our scale and specialisms.

docsellent

The acquisition of docsellent, a medium-sized German company specialising in transactional printing and document services, was completed in November 2017. This was the cornerstone of Paragon's entry into the German transaction market. Along with expertise in management of secure digital and physical transactional documents, the acquisition gave Paragon a geographical presence in the most densely populated region of Germany and a strong management team who are taking Paragon Customer Communications Germany forward.

FT Solutions

A deal was concluded to acquire the trade and assets FT Solutions Ltd in the UK, a communications and branding solutions provider with specialism in print and procurement for the travel, retail, training, financial services, membership and loyalty sectors. The production facilities and teams at the Hertford and Wolverhampton sites transferred into Paragon Customer Communications.

SIMS

Paragon extended its UK footprint with the acquisition of the SIMS Managed Services division of St Ives Plc. The integration of SIMS into the business allows Paragon Customer Communications to expand its capabilities while improving the range of solutions offered to clients. The new acquisition brings increased expertise in print management, point of sale, direct mail, promotional material, multi-channel services and campaign planning.

After year end, we continued our acquisition focus:

Imprimus

The acquisition of Imprimus Limited (formerly Stralfors UK) provides a diverse portfolio that complements the solutions already offered by our business, particularly around postage optimisation and digital channels, as well as enriching operational capabilities of the Group in transactional communications. The existing Imprimus site in Redruth, Cornwall, transferred to Paragon Customer Communications UK along with the strong management team.

rcDDM

A post Statement of Financial Position event, this acquisition passed regulatory approval in October 2018 and is expected to complete in November. rcDDM brings three locations in Germany and unrivalled scale and market presence in the area of transactional document management.

Two post Statement of Financial Position acquisitions were made during 2018. In October both Prisme Solutions SAS and the Noyelles-sous-Lens site of Arvato France were completed bringing greatly increased capabilities in direct marketing and logistics along with excellent clients who will benefit from the full range of solutions offered by Paragon in France.

Paragon in Romania

Paragon has been operating in Romania since 2004, when the first greenfield operations were put in place to provide a near shoring solution for selected clients of Paragon France.

The operations there have grown substantially since then – both in scale and breadth. For Paragon Customer Communications there are now digital and litho print services in addition to the complex kitting and fulfilment work carried out mainly for clients in the telecoms sector. With many years of exceptional performance at the PCC operations, the Group naturally used the positive experience when deciding on a new location to expand Paragon ID production.

Since 2017 Paragon ID in Romania produces secure products for passport covers and other personal identification items. This work was previously produced in China and has been brought closer to the clients and within the EU.

Our Paragon operations in Romania are led by two excellent local managers. Manuela Teodorescu has been managing operations for Paragon Customer Communications since the site's inception in 2004 and has overseen its hugely successful and profitable growth, against a backdrop of rising costs and changing economic climate locally. As a result of PCC's success in Romania, the Group decided to open an additional facility and appointed Gabriel Stanciu as Managing Director of Paragon ID Romania. An engineer by training, Gabriel has 25 years experience in industrial environments, including 15 years in the RFID industry, and experience with high levels of robotic automation. Gabriel joined Paragon in 2018 and his mission is to grow a sustainable local business and become a leading Group supplier for ID products.

PARAGON ID

2018 saw significant progress for Paragon ID in the first full year since our reverse takeover of ASK SA.



Clem Garvey, Deputy CEO
Paragon ID

A stronger business, positioned for the future

Paragon ID now offers an unrivalled range of contactless products across many applications and markets, served by a global industrial base. The combined expertise of the new business (following the reverse takeover of ASK) has supported the development of new offers and enhanced market positioning across four key sectors:

- e-ID (including passports, driving licences and ID cards)
- Transport & Smart cities
- Traceability & Brand Protection
- Payment

The integration of the operations of ASK has brought Paragon ID into new market segments such as electronic passports and ID cards and significantly strengthened our core transport and smart city sector positioning.

Our acknowledged expertise in ticketing solutions for mobile phones and card readers has led to co-operation with other world-leading technology companies to help our clients move from traditional tickets to smarter, integrated solutions. New RFID tag prototypes and offers in mass transit mobility are expected to deliver first results in 2018/19.

Operational consolidation and expansion

Our global e-ID production footprint underpins our position as a true leader in identification solutions and provides Paragon ID with the geographical reach required to closely serve international clients. We have over 600 employees across France, the UK, the United States and Romania.

Our manufacturing and development base in the USA enhances our presence in a market where we hold many prestigious long-term contracts and adds to our growing expertise in delivering personalisation services and mobile solutions. The manufacturing facility, which is federally accredited and highly secure, gives us a physical US presence in case additional barriers to entry in the US market are created.

Former ASK factories in China and in the South of France were closed, with production activities transferred to our Argent-sur-Sauldre and Romania facilities, while new sub-contracting relationships were developed with partners in low-cost-production countries for the provision of the more basic constituent elements in our offers. We are especially proud of our new production facility in Romania which is now producing millions of passports in what was a new greenfield site just one year ago.

Paragon ID plans to grow further in continental Europe and to expand in existing geographical markets, broadening its technical expertise and tailoring its solutions to fit the needs of the world's largest retail, health, pharma, manufacturing, logistics, luxury products and gaming companies.



An unrivalled range
of contactless products
across many applications
and markets, served by a
global industrial base...



Focus on...

Electronic identification (e-ID)

Market demand for electronic identification is continuously increasing: we expect the majority of official documents in the world to be "smart" by 2020, equipped with some form of secure ID technology, with a major trend towards the use of polycarbonate substrate. In particular, e-ID cards are one of the new areas for growth, with the market also seeing considerable consolidation.

Paragon ID is taking a leading global role in these trends: for example, 22 countries now rely on our electronic passport inlays, from the UK and France to the US, Israel and the Philippines. As our world rapidly becomes more digitised, connected and contactless, bringing Paragon ID's innovative secure ID capabilities into our broader Group offering positions us well for the future.

Paragon ID has acquired additional strong technological expertise, allowing us to design ever more complete contactless products, including for e-ID cards, ePassports, eHealthcare Cards and electronic driver's licences. Our focus has been on the development of contactless-enabled layers for ICAO-compliant electronic passports.

A key element of our ID strategy is to develop high-volume manufacturing capabilities close to our customers, addressing concerns about the security-sensitive nature of these products. Three sites are operational at full scale: Burlington (USA), Argent (France) and a new secure site in Bucharest (Romania). All sites provide high security of site, employees and production and have been audited and qualified by our customers during the last fiscal year, receiving strong scores from security and quality experts.

Paragon ID is committed to ongoing investment in R&D to enrich our product portfolio, thereby meeting demand for high-end products with new security features as well as cost-competitive solutions.

ePassports

This year we delivered millions of eCovers to the US government, realising a very high-profile project, and secured two important new contracts. Paragon ID recently took its first orders for contactless inlays for a polycarbonate National ID card, in cooperation with one of its strategic partners in the e-ID business. This card was designed in our R&D centre in Mouans (near Nice) and is being manufactured in Argent-sur-Sauldre, a perfect demonstration of the successful combination of ex-ASK technology and Paragon industrial know-how.

Since 2005, we have now supplied nearly 100 million eCovers/inlays across our 22 client countries. This is a major credential for Paragon and supports our future activity, which will see us delivering new technology and products to further enhance security and innovation for our customers.



Transport & 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 200 major cities across the world.

Paragon is the worldwide leader in ticketing – including magnetic, contactless tickets and cards – and is at the forefront of innovation with new solutions including host card emulation (HCE) and other mobile ticketing applications to facilitate the travel of millions of citizens across the world. We excel at integrating these with existing systems to make digital transformation possible.

Mobile ticketing

- We have leveraged our mass transit expertise to develop new solutions to transition cities from traditional to smart access control – including mobile ticketing, or Host Card Emulation (HCE). After great success of these solutions in Nice, Paragon ID collaborated with DigiMobee to launch the new Ticket Easy application in Toulouse: an innovative solution for the purchase and validation of smartphone-based tickets compatible with the ticketing system already in place in the city.
- Paragon ID will continue to develop and invest in this area and partner with innovative companies that complement our offering.

Contactless ticketing

- Oyster Card (Transport for London) – Paragon ID will continue to produce London's iconic Oyster Cards throughout 2018 under a £2.2 million contract.
- Washington – Paragon ID has been awarded five-year contracts by Washington Metropolitan Area Transit Authority to supply, personalise and encode their smartcards.
- Other significant business wins during the year included Turin, Geneva and Doha.

NXP Mifare

- Paragon ID has been chosen by NXP, the leading semiconductor supplier for the secure identification, automotive and digital networking industries, as a MIFARE Premium Partner. Paragon is one of only five companies in the world granted this status, confirming our leading position in the transport and smart city sectors.

Securing revenues with historic customers in magnetic ticketing

- Rail Distribution Group, UK. Our contract to supply magnetic tickets for the UK rail network has been renewed until 2020; Paragon ID has also been selected to support the UK transition to smart rail ticketing (we are one of few companies certified by ITSQ, the guardian of transport smart ticketing standards).
- Paris mass transit network. Our SNCF and Paris metro contracts have been renewed for five and six years respectively, totalling one billion magnetic tickets per year.
- New York metro. We have been awarded significant volumes of gold cards, confirming our status as key magnetic ticket supplier for New York city.

Traceability and brand protection

As leaders in traceability and identification, Paragon ID pioneers the use of RFID, traceability, secure labels and NFC tags to track products throughout the supply chain and protect customers against fraud. We supply secure track and trace solutions to the most demanding market sectors, including automotive, health and pharmaceutical, aviation and applications in logistics and manufacturing.

As well as providing traceability throughout the supply chain, our technology protects brands from the counterfeiting activities which are affecting an ever-widening range of products and sectors.

S-PRINTBOX

This year, we continued to further develop our S-PRINTBOX offering: a web platform and accompanying hardware to print and encode RFID tags, on demand. This eliminates the need for pre-printed and pre-encoded label stock and gives our customers a highly reactive, autonomous, efficient process as well as new tracking capabilities and cost savings.

Case studies this year include:

- **Rapala:** Installation of a S-PRINTBOX at this leading fishing accessories retailer's French warehouse, enabling its team to tag over 200 products.
- **Merrell:** We print and encode this outdoor footwear & apparel specialist's RFID product tags from our own site and provide them to suppliers in Asia, the Netherlands and Great Britain. Over 600,000 labels have already been created this year.
- **Sephora:** Sephora used our S-PRINTBOX In-Store printers at numerous stores to re-label items for the Winter sales. Each printer carried an up-to-date database with all the items in sales, their former price and their new price. Staff only had to scan the current label on the item, choose the number of labels required and print them. This fast and easy solution brought much improved efficiency, allowing items to quickly be re-labelled and the staff to focus on customer service.

Traceability (UHF)

- **Automotive:** Paragon ID became a member of GALIA, the association responsible for defining standards for logistics traceability in the automotive sector. Paragon ID has implemented a full RFID pallet traceability solution including hardware (gates), software and Galia RFID tags allowing Sofrastock, logistics provider to Renault-Nissan, to get an accurate traceability of pallets going to different manufacturing sites.
- **Aviation:** Paragon ID is working closely with the aviation sector to develop an RFID solution for baggage tracking, in line with IATA Resolution 753.

NFC

- **Wine industry:** In partnership with WID, we provide a traceability, brand protection and customer engagement solution to the wine industry. Our expertise and RFID technology complements WID's hardware, software and mobile app to provide a unique solution to help wine producers fight counterfeiting, improve inventory accuracy and pick orders, while improving customer experience.
- **Brand protection:** We provide NFC labels to Vivacy, a French manufacturer of high quality injectable anti-ageing medical devices, to enable full traceability and brand protection as it expands in Asia.
- **NFC Forum:** Paragon ID has become an associate member of the NFC Forum, putting us at the heart of NFC development. We actively support the NFC Forum's role to lead and educate the industry about the technology, to promote end user adoption and to constantly improve user experience.



Focus on... Payment

Payment

We made a strategic decision to focus on the Payment sector, given the large addressable market. We intend to leverage our expertise in RFID and in secure documents, to develop in the payment sector, both organically and through acquisition.

Acquisition of AmaTech

In 2018, Paragon acquired the AmaTech Group, a visionary technology firm in the development and production of RFID applications for payments. AmaTech has strong intellectual property in RFID-enabled payment objects, including dual interface metal cards and wearable devices.

Combined with our manufacturing expertise, this has created a new product platform to strengthen our market position and accelerate growth. We can now produce precision-engineered stainless steel smartcards with contactless functionality, RFID metal inlays and chip modules for prestigious metal and metal-embedded credit cards targeting affluent and high net-worth customers. Paragon is investing in plant and equipment, allowing AmaTech to produce premium metal cards in contemporary designs and luxurious metal finishes. Stunning effects and unique textured looks are created using laser etching equipment on a range of metal surfaces including matt, mirrored, brushed or diamond-like-carbon coated stainless steel.

Through this acquisition, Paragon ID also broadens its wire-embedding technology, primarily for ePassports and national identity cards. Synergies with AmaTech are also expected to come from joint research and development in passive display smartcards to counter online fraud.

Strategy in payment

Our focus for 2019 and beyond is the protection of our intellectual property rights and the licensing of technology to strategic partners – for example, a non-exclusive license agreement already exists with the metal card producer CompoSecure in USA.

Paragon can now further extend its product portfolio and is ideally placed for applications in the payments segment, with high volumes and substantial growth potential.

Embedded technologies

From its historical position providing RFID solutions to the mass transit sector, Paragon ID has built on its expertise in embedded technologies to offer an ever-wider range of solutions. These include passport covers with this technology to store biometric data, smart tags for garments to optimise supply chain management and retail packaging providing opportunity for “tag-to-web” customer interactions.

PARAGON ID

PARAGON GRAPHIC SERVICES

Paragon Graphic Services is a specialist provider of quick-response digital print services, delivered through a network of branches and speciality print businesses. Our business is growing in the provision of design and digital services and this builds on our historical expertise and client base in the Architecture, Engineering and Construction (AEC) sector.

Positioning and vision

During the year, John Eager was appointed as CEO for Paragon Graphic Services (PGS). This newly-created position brings greater focus and clarity to the direction of the division, and John joins Paragon with a wealth of relevant experience in similar businesses, notably as CEO of Snap Printing in Ireland.

The PGS strategy, to be delivered through investment, organic growth and targeted acquisitions, is to increase the value-added offering of the business by engaging with customers at the earliest possible point in their journey and offering a complete solution for design and print, as well as supporting services. PGS is strategically aligned with our PCC business in most countries, allowing us to deliver a full range of services to enterprise customers. We also benefit from synergies and economies in the purchasing of material and equipment.

Digital Print is a growth business

Digital print is a growth business, with several key factors driving our strategy. There is now a well-established trend towards digital printing: jobs are getting smaller, deadlines are getting shorter and, since digital print quality has for many years been comparable to traditional methods, it is now the preferred method of production for the SME sector in particular. Although digital still makes up less than 10% of global print volumes across all sectors of print and packaging, the value of the digital print market has been growing and is forecast to continue on this trajectory, with an 8% CAGR over the period from 2013 to 2024.

Business model: Speed of response is key

Paragon Graphic Services has a very clear business model: the one-stop shop for everything print and design, in your town, with good people and good technology and equipment. Speed of response is key, while our network of retail-style branches allows us to easily reach business customers, with the opportunity to broaden our customer base and build relationships.

Speed of response is the essential ingredient. We have a customer centred business entirely focused on providing a fast turnaround. This is delivered by highly skilled and experienced teams along with the necessary breadth of production equipment in a nationwide network of branches.

Extending our expertise in AEC

Over the financial year, Paragon Graphic Services has built on our heritage in architecture, engineering and construction by extending our innovative products and furthering our on-demand printing offering: a *distribute and print* model rather than printing centrally before distributing. This model is also valuable for its environmental benefits as well as better meeting client requirements, supporting key national accounts.

The division continues to cross-sell a range of additional services across our branch network, including CGI, bid services, ProjectVault, and Northern Mail.

Investment in new technology and equipment in the UK and Norway has improved the quality and consistency of our offering.

In the UK we acquired Kingswood, gaining new locations in central London and nearby Kent that bring with them expertise in large formats, an excellent City of London client base, £6 million revenue and generating additional synergies with our business.



Everything
Print & Design...



Focus on... PGS

John Eager, CEO, Paragon Graphic Services

"This is a very exciting time to be taking the helm of Paragon Graphic Services. We already have the networks in place, with excellent coverage in the UK and Norway, and very strong core competences in digital print and design across small and large formats.

The nature of this business requires extremely high levels of customer service and reactivity – which we have – but in Paragon's case we are also part of a large group which gives us unrivalled buying power, innovation, international reach and the support of our corporate parent for acquisitions and investment strategies."



Online channel

The online channel supports our business giving convenient 24/7 ordering to all clients with the option to pay directly or by invoice for existing customers. The online shops have a smart upload option which recognises the number and size of pages and colours and generates a price automatically to facilitate fast ordering. Sales through the online channel have grown by 55% during the year and this area remains a key focus as a support to the personal service delivered in branch across the network.

Launching Global Document Systems

We acquired DMS in Caerphilly, UK, during the year and merged this with our existing document management systems business in Sunderland, creating a new business 'Global Document Systems'. This tactical acquisition and combined business unit has strengthened our position in some niche areas of document management, specifically around secure pressure seal.



Case study

Arsenal Football Club

Paragon Graphic Services completed a prestigious five-phase launch project for Arsenal FC's new 2018/19 kit.

Working with complete discretion under strict NDAs, unreleased shirts were used for accurate colour matching to produce and install various vinyl, fabric, duratran, PVC banners and small format prints at all three Arsenal FC shops, working day and night as well as using scaffold towers to fix high-level flex-face banners.

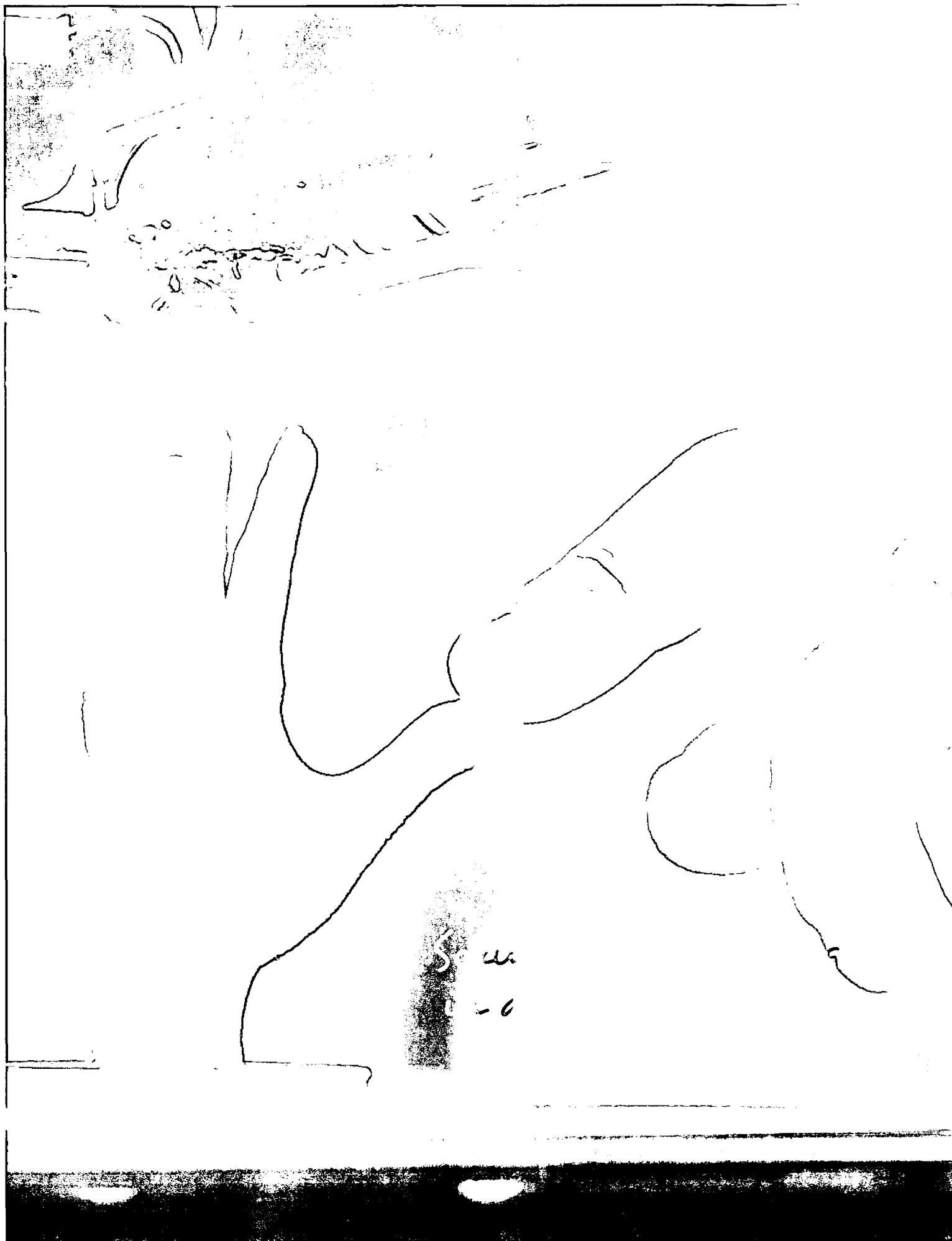


PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risks and uncertainties facing the Group are:

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATION
Product and Service The success of the Group is wholly dependent on the quality and relevance of our products and services.	<ul style="list-style-type: none"> • Loss of revenues if the quality and relevance of our products diminishes. 	<ul style="list-style-type: none"> • Robust data integrity platform and processes. • Continued investment in recruiting and retaining high-quality employees including researchers and analysts. • We are continually developing innovative solutions which enhance both the content quality and our client's user interface experience. • Focus on client feedback. • External consultants engaged to review quality control procedures.
People and Succession Failure to attract or retain key employees could seriously impede future growth.	<ul style="list-style-type: none"> • Failure to recruit or retain key staff could lead to reduced innovation and progress in the business. 	<p>The Group is rapidly expanding, and the success of this expansion will be determined by the Group's ability to manage and motivate our people in order to achieve the Group's performance objectives.</p> <ul style="list-style-type: none"> • The Group operates a competitive remuneration package and incentive schemes for management personnel. • The Group continues to strengthen the Executive Team to encourage motivation and engagement with the business.
Competition and Clients The Group operates in highly competitive markets.	<ul style="list-style-type: none"> • Loss of market share due to changing markets. • Reduced financial performance arising from competitive threats. 	<ul style="list-style-type: none"> • The Group routinely reviews the competitive landscape to identify potential threats and acquisition opportunities. • Our sales team strive to achieve organic sales growth. • Our acquisition strategy continues to bring new clients. • The Group's customer base is diversified by industry and product offering and we regularly review our clients to ensure that we are not overly reliant on any customer. • We constantly monitor new technology capabilities and innovation to ensure that our products are always contemporary and relevant, which allows us to respond to new competitive threats as they arise. • Our data sets, technology platforms and highly specialised printing machinery are both unique and difficult to replicate. • Provide improved and best in class client support thereby improving customer satisfaction and retention.

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATION
Economic and Global Political Changes		
The Group's businesses operate in the UK, Continental Europe and the USA.	<ul style="list-style-type: none"> Economic and political uncertainty could lead to a reduction or delay in client spending on the services offered by the Group and/or restriction on the Group's ability to trade in certain jurisdictions. 	<ul style="list-style-type: none"> We operate in different geographies and therefore operate in a balanced portfolio of markets. Increased controls over capital expenditure and working capital. Management of headcount and overheads.
Brexit		
Uncertainty surrounding the UK's decision to leave the EU.	<ul style="list-style-type: none"> The UK's decision to leave the EU is likely to result in a short to medium term period of economic and political uncertainty and complexity. 	<ul style="list-style-type: none"> There is a risk that this uncertainty could reduce demand in the Group's UK market and could adversely impact the financial performance of the Group. The Group generates a significant portion of its earnings in the UK market, and any significant decline in the value of Sterling will impact the Group's translation of its Sterling earnings with consequential impacts on the reported performance and results of the Group. The Group monitors these risks and actively manages its business to ensure minimal disruption to its operations. In addition, there is an ongoing review of any new information and policy indications from the UK Government and the EU in relation to Brexit, in order to manage the risks associated with Brexit.
IT, Cyber and Systems Failure		
	<ul style="list-style-type: none"> Significant operational disruption caused by a major disaster. 	<ul style="list-style-type: none"> Business continuity plans have been implemented across the Group, including disaster recovery programmes, and plans to minimise business disruption. The Group regularly reviews its cyber security and website security protocols.
Regulatory Compliance		
	<ul style="list-style-type: none"> The Group may be subject to regulations restricting its activities or effecting changes in taxation. 	<ul style="list-style-type: none"> The majority of the Group's operations are based in the United Kingdom, Continental Europe and the USA. Appropriate advisors are employed in all geographies to ensure the Group remains compliant with local laws and regulations.
Acquisition and Disposal Risk		
	<ul style="list-style-type: none"> The failure to successfully identify and integrate key acquisitions could lead to loss of profits and inefficient business processes. 	<ul style="list-style-type: none"> All acquisitions are subject to rigorous due diligence and operational review, the findings of which are presented to the main board as part of the supervision and approval process. Where necessary external advisors with either technical and/or local knowledge are engaged.



TECHNOLOGY AT PARAGON

We continue to invest in the latest technology across the Group, from market-leading analytics and software to cutting edge manufacturing for digital and RFID products.

Continued investment in technology

Paragon's focus on technology continues to be critical to the Group and is a central element of our success and competitive advantage. In every part of our business we rely on making the right technology investment and development decisions to enable and drive our growth and profitability. Our strategy is built on three key areas:

- Client-facing applications
- Business and manufacturing process automation
- Embedded technologies.

Client-facing applications

In 2018, Paragon has expanded the online services offered across the Group – with these proving popular with both B2B and B2C users for their anytime, anywhere access, choice and control.

New client-facing applications have been added to the Group's range through acquisition – with SIMS bringing tools targeted to the retail and leisure sectors and FT Solutions specialising in air transport and 3D printing. We have also continued to develop innovative online document composition technologies, including two of the world's largest deployments of Quadiant Inspire Interactive for a French bank and a UK power company.

Our customer-facing applications continue to perform strongly, particularly in Paragon Graphic Services in Norway, Sweden and UK where they enable customers to access a wider range of bespoke printed products, including décor and display items. Our introduction of Click & Collect options means our services continue to meet our customers' requirements for increased immediacy and flexibility.

At enterprise level, our innovative "single sign-on" integrations provide business users secure access to Paragon technology platforms without separate usernames and passwords. We will be continuing to further integrate applications into this single platform throughout 2019.

We continue to invest in our proprietary PEP platform which underpins the delivery of client services across the Group.

Business & Process Automation

We are making a number of strategic investments in technology companies to give us access to new architecture and capabilities. In addition to our investment in BeeBuzziness last year and our acquisition of AmaTech, we will shortly complete a series of additional acquisitions in the Paragon ID space to build out our range of digital revenues for the future. We are investigating market opportunities to further develop our expertise in delivering data analytics and AI solutions to our clients.

2018 has seen enthusiastic adoption of our supply-chain management solutions, such as our unique Print Management and Lead Supply propositions. Annual revenues for these services now exceed €97 million.

New contracts for BPO services in UK, France, Italy, Spain and Portugal have transferred selected business operations for major clients to Paragon – delivered either from the client's own premises or from Paragon sites. Innovation in this area has been focused on the automation of document capture, recognition and output flows.

Embedded technologies

From its historical position providing RFID solutions to the mass transit sector, Paragon ID has built on its expertise with embedded technologies to offer an ever-wider range of solutions. These include passport covers with embedded technology to store biometric data, smart tags for garments and retail packaging.

Research & Development

Paragon is focused on maintaining and evolving its technological competitive advantage in the market and in 2018 has moved to adopt and pioneer key technologies that will drive our clients' success over the years to come.

The Group has increased its investment focus on pure technology companies: providers of innovative software and platforms that will help drive transformation at our clients, across all our businesses. In Paragon ID this includes a focus on mobile ticketing and asset tracking software, where we are evaluating investment opportunities.

In our Customer Communications business, we have invested in BeeBuzziness, a disruptive start-up already gaining traction with a device-agnostic, easy-to-implement cloud platform called BeeVirtua. The platform enables a customer to easily see, personalise and interact with content in their preferred format, while giving our clients back control over their data, by delivering detailed real-time information on media browsing and consumption from within the system.

We continue to research and embrace the potential for AI technologies in customer communications, most notably with the integration this year of IBM Watson Marketing into PEP's multi-channel transmission features – bringing powerful artificial intelligence (AI), customer journey, and analytics tools to optimise the impact and effectiveness of communications.

Cloud Technologies

Paragon has a clear strategy to increase deployment of cloud computing technologies to achieve benefits of agility, scalability and performance. We currently combine on-premise, private cloud and public cloud services to deliver the highest performance solutions, compatible with differing regulatory environments and rates of acceptance of cloud services in each sector and geography.

To develop these capabilities in support of client requirements, we work closely with leading cloud services vendors including Microsoft, Oracle, IBM and Amazon, led by our teams in UK and Ireland.

Data security and compliance

Our UK data centres, the establishment of new high-specification data centres in Germany, the recent acquisitions and new ISO27001 (Information Security Management) accreditation in Germany and France all provide Paragon and its clients with secure data and document processing and storage services on both sides of the Brexit divide after March 2019.

Robotics Program

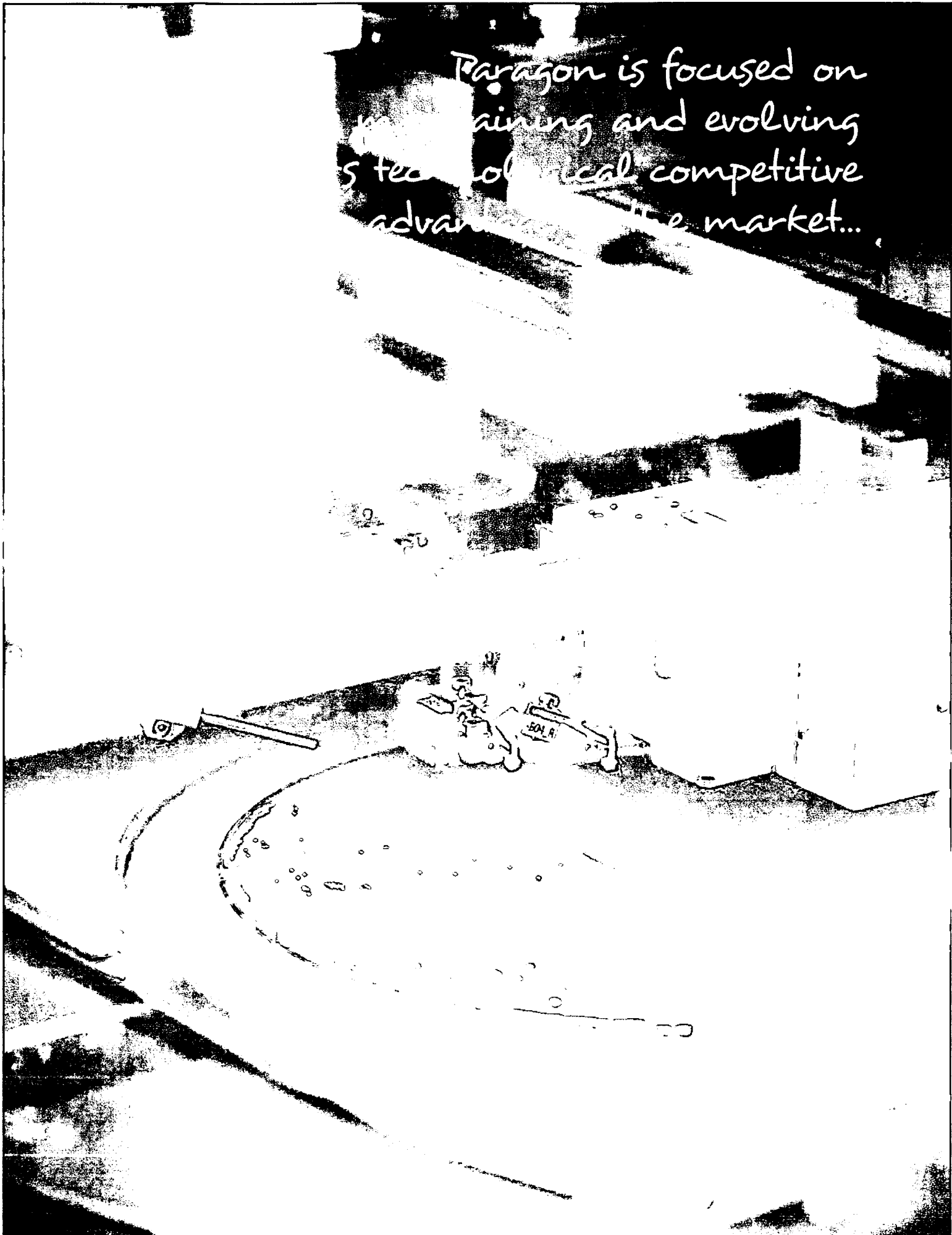
As part of our investment in cutting-edge production approaches, Paragon has implemented MiR200 automated guided vehicles (AGVs) at our Bristol production facility. The AGVs carry raw materials from the warehouse to the shop floor and return complete goods to the warehouse operating 24/7, and covering 15-20km each day.

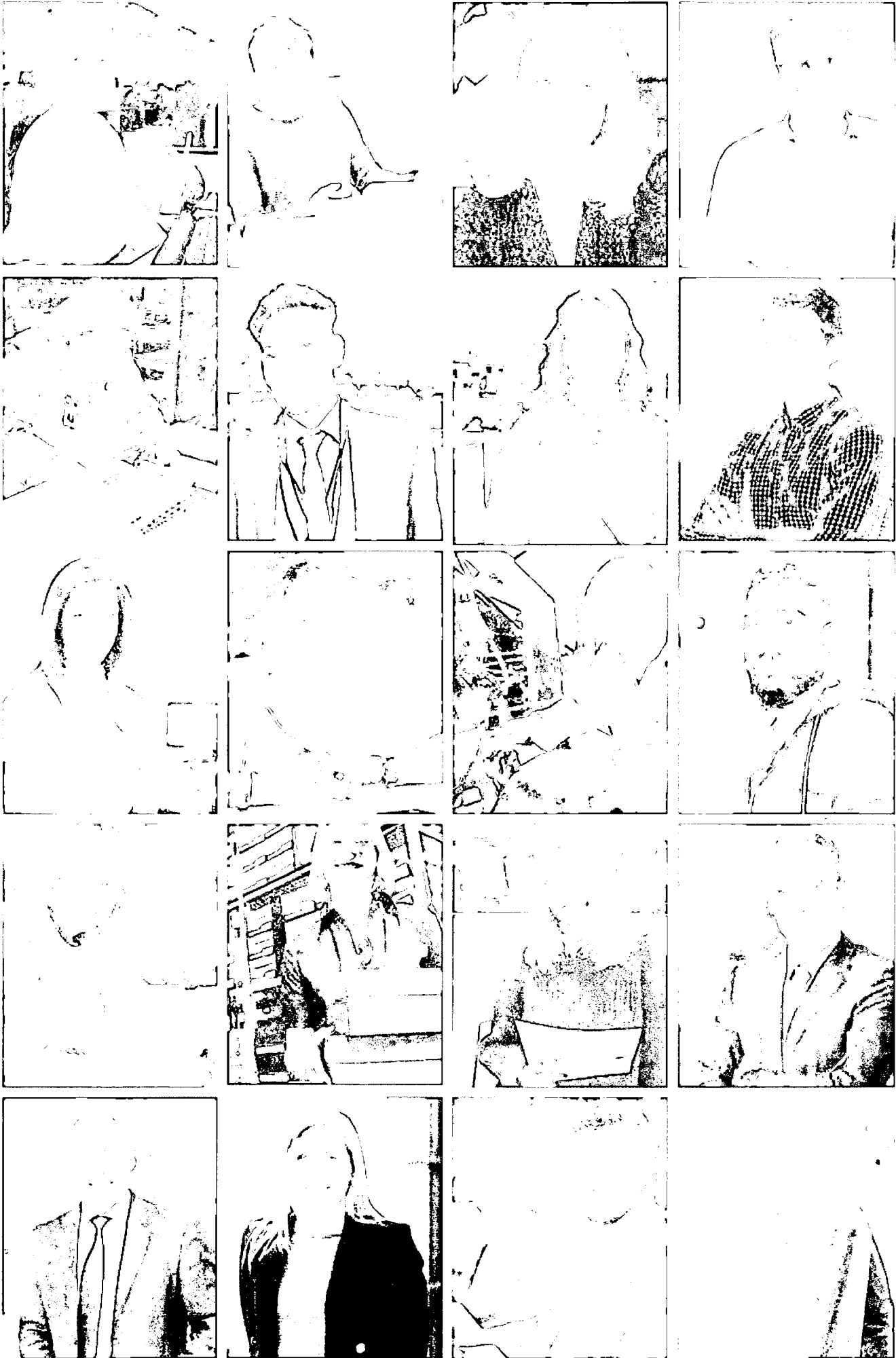
The robot has built-in sensors, cameras and sophisticated software, meaning the MiR200 can identify its surroundings and take the most efficient route to its destination, safely avoiding obstacles and people.

This implementation is allowing us to automate transport tasks and focus on higher-value activities. Porters who were previously walking 15km per day have been upskilled and redeployed to value-adding tasks. Material flow bottlenecks have been eliminated to increase productivity, promoting just-in-time production and more efficient staging and delivering a fast, positive ROI as well as a cleaner, safer working environment.

Next, we will be trialling the new MiR500 pallet-based AGV in Nottingham and, if successful, rolling these out across the UK and European sites.

Paragon is focused on
maintaining and evolving
its technological competitive
advantage in the market...





A RESPONSIBLE, PEOPLE-FOCUSED BUSINESS

As a fast-changing and dynamic business, Paragon could not succeed without exceptional people who are excited about what they do. Our achievements throughout a year of great change, evolution and performance are testament to this individual and collective ambition, quality and commitment, and it is no surprise that our clients tell us that our people are a key USP for Paragon.

We constantly listen, organise and invest to give our people the training, environment and support they need to achieve their potential and develop their careers. We are confident that our employees are capable and motivated to ensure a successful future both for themselves and the Group.

Multicultural

As a truly international and multicultural company, personal and intellectual diversity is a key aspect of our relevance, success and service to clients. Our teams deliver invaluable local knowledge within an insightful broad understanding of national and global contexts, enabling us to deliver for small clients as well as provide a regionally bespoke consolidated proposition to our international ones.

Our Group management team has broad international experience to support this, while exceptionally strong local and regional management has been retained and developed to ensure consistent excellence and ambition throughout our activities.

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.

A learning company

Paragon gives opportunity and encourages lifelong learning and development for all employees. With our business and marketplace changing rapidly, we give our employees ongoing training and retraining to allow them to fulfil new opportunities and demands, as well as supporting those who pursue professional or academic qualifications.

Informing and involving our workforce

We encourage the free flow of information between all members of the Paragon community. Online communities and tools facilitate collaboration between teams and across borders, while a flat hierarchy keeps senior management close to day-to-day operations. We welcome ideas from all levels of the organisation and these are an important part of our commitment to continuous improvement and innovation.

Our international and local newsletters, intranet and regular senior management *Town Hall meetings* keep our teams up to date with all aspects of our business, while regular meetings between local management and employees ensure our employees are involved in the decisions that affect them.

Rewarding achievement

Throughout the Group, we look to reward teams and individuals for outstanding contribution to our success, with Employee of the Month and Employee of the Year accolades at each site as well as constructive performance reviews and recognition of achievement.

Supporting communities

All across the Group, we support employees in their community and charity efforts, including hosting fundraising efforts at individual sites and recognising and promoting good causes in our monthly Snippets news sheets.



Focus on... Graduates

Maeve Fitzpatrick, HR Projects, Paragon UK

"I joined the Paragon Graduate Programme in June 2015 following my undergraduate degree in International Commerce with Spanish.

"I was attracted to Paragon as it was growing quickly and had an international reach that would give me the opportunity to travel, work abroad and use my language skills.

My first 18 months at Paragon were in Dublin, supporting the senior executive team and working on some HR projects while studying part-time for a master's degree in HR, which Paragon supported me through. I then spent six months working in Sunderland as part of the HR team during a busy time with new business wins, organisational changes and acquisitions, and am now based in Dagenham working closely with our UK HR Director on strategic HR projects.

My time in Dublin provided great exposure to the Group wide activities and an international network, which have been invaluable as I progress my career in the ever-changing Paragon world.

Paragon is quite unique in that the structure is completely flat and the opportunities are endless for those that are self-motivated and interested in taking ownership for their career progression. It is genuinely exciting as no two days are the same, and I'm looking forward to seeing where the Paragon journey takes me next!"





Interview: Guilhem Boucon

CEO PCC France

Guilhem Boucon, has benefited from the entrepreneurial culture at Paragon and is now CEO of PCC France.

What was your route to senior management of Paragon France?

I joined Paragon from 3M in 2007, initially as plant manager in Cosne-sur-Loire. During my eleven years working with Paragon, I have been promoted to Industrial Director for Paragon Transaction, then to Deputy General Manager. Now, as CEO of PCC France I lead this division to achieving strong growth.

The very entrepreneurial spirit of the Paragon Group shareholders and management allowed me to develop without any barriers: learning, making mistakes and creating my own path in a very smooth way thanks to my mentor Yves Vetelé. In 2010, I decided to do an Executive MBA and Paragon responded very positively and helped me finance it.

The message is clear: be proactive and come to the Company with your drive and ideas and you will be supported. Anyone who wants to be entrepreneurial in Paragon can do so.

Describe the change in Paragon France – how are you positioned in the market now?

The 2008–2015 period has been key for us, accelerating the diversification of our activities into supply chain management, print management, Hybrid Mail, Elections organisation and more, while developing our sales, marketing and IT functions. Ten years ago we were one of the leaders in business forms offset printing; we remain industrial, but are now also recognised by blue chip customers as a real transformation agent, supporting their journeys through business process change and customer experience improvement.

In parallel, we had our own transformation journey as we grew: For each new activity we create, the first 18 months are tough: to win the first business and create operations out of the blue, then bring deeper skills and know-how to enhance the offer and then scale it to sustain our organic growth by acquisitions.

As a result, PCC France went from €65 million sales in 2010 to a pro-forma €180 million in 2019 and we hope to keep that pace or even accelerate in the future.

How has your team contributed to the success of Paragon France so far?

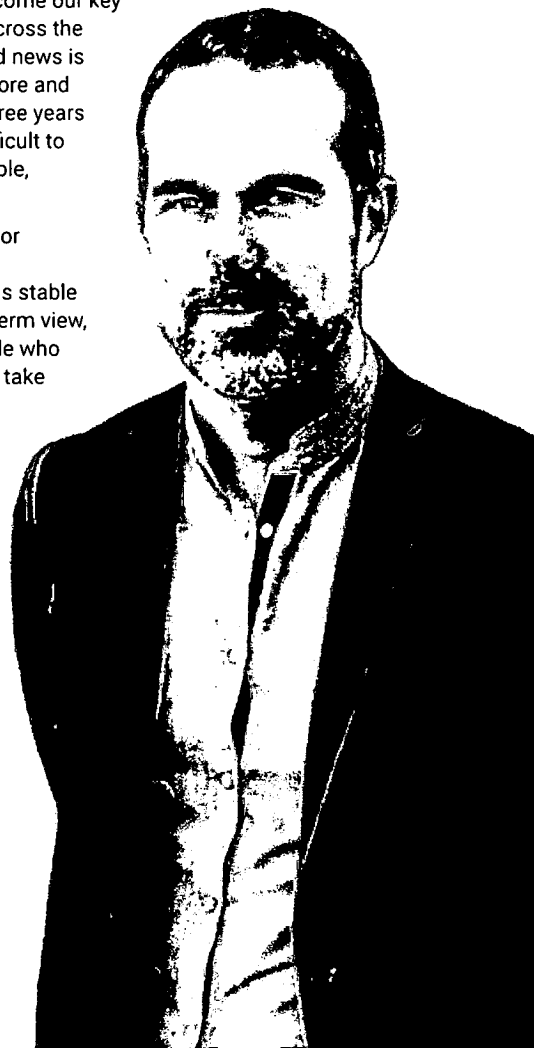
The willingness, flexibility and adaptability of each person to change has made our success possible. As we expand, we make sure everyone understands they will continue to have their place in Paragon: the culture in PCC France is that whether you are 62 or 26, and wherever you have come from, we want the most diversity possible. Everyone can learn from each other. We've changed things step by step, so clients and employees can see the possibility to evolve.

The appointments that give me most pride are the internal evolutions: for example, a long-serving project manager has just become a successful sales rep, while another rep has created a new sales office for Document Solutions.

In the past, our competitive advantage was about machines and technical ability – now it is all about our people, because we sell collective intelligence and a transformation journey.

I believe the challenge to acquire and retain talent has become our key business process across the Group. And the good news is we are becoming more and more attractive – three years ago it was more difficult to attract the best people, but that's changing.

One big advantage for Paragon is that the management team is stable and takes a longer term view, so we look for people who really add value and take a long-term view of Paragon, wherever they are in the organisation.



CSR

Managing and balancing environmental, social and economic issues will remain critical to the long-term success of the Group. Our corporate and social sustainability is built on three principles.

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.

This year, we achieved the top Gold rating after Ecovadis assessment for Environment, Fair Labour Practice, Ethics and Supply Chain Management, putting us in the top 3% of over 30,000 businesses assessed worldwide. This reflects the commitment and effort we have put into driving efficiency and best practice over a number of years, scrutinising and continuously improving every detail of our operations, from saving energy to pioneering new production capabilities.

We pride ourselves in operating honestly, responsibly and ethically, both in the workplace and in the wider community. This makes Paragon a safe, positive and rewarding place to work and also makes sound commercial sense, nurturing corporate success for us and our clients.

Ethical business practice

Paragon implements rigorous Group-wide processes and practices to ensure ethical and healthy conduct, including: complying with all reporting requirement in our local markets; comprehensive health and safety management programmes; ethics and compliance programmes covering anti-bribery and corruption, anti-bullying and harassment, equal opportunities and our business Code of Conduct.

Paragon also operates a risk-based supply chain management programme and a risk-based Modern Slavery programme, including specific compliance reporting in the UK. 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.

With new GDPR legislation regarding personal data having come into effect in May 2018, we have worked 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 highly supportive of staff-led community and charity programmes and give these time, publicity and appropriate resource support to encourage participation and success.

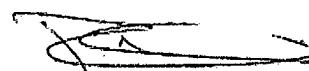
Relationship management

Positive, long-term relationships with 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 in a positive, productive and innovative environment.

We invest in our colleagues and provide numerous channels for personal development and engagement with Group management, including staff satisfaction surveys, wellbeing programmes, development and training programmes and consultative committees. Our Apprentice Academy and graduate scheme continue to be hugely successful, bringing new talent into specific roles of responsibility with a broad understanding of divisional activities.

Listening to our customers and adapting to serve their needs is the foundation of everything we do across the Group – and something that we particularly excel at, as proven by our more than 15-year average relationship across our top 200 clients. Our annual Voice of the Customer survey drives our technology roadmap as well as our client experience strategies, providing a formal moment to review and strengthen our relationships in addition to the constant opportunities for client input offered through monthly and quarterly account reviews and more informal feedback.

By order of the board



Patrick J Crean
Chief Executive Officer

30 November 2018

END OF STRATEGIC REPORT

Group financial statements

30 June 2018



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

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Chartered Accountants &
Senior Statutory Auditor
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EC2A 1AG, United Kingdom

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REGISTERED OFFICE

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THE DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 30 JUNE 2018

Directors of the Company

The directors present their report and the financial statements for the year ended 30 June 2018. The directors of the Company are listed opposite.

Results and dividends

The profit for the year after taxation for continuing operations amounted to €9,737,000 (2017: profit of €12,176,000). The loss for the year on discontinued operations amounted to €2,371,000 (2017: €nil). The EBITDA¹ for the year for continuing operations amounted to €39,072,000 (2017: €30,749,000). No dividend was paid during the year (2017: €nil).

The directors are not recommending the payment of a dividend in respect of the financial year ended 30 June 2018 (2017: 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, EBITDA¹ and Free Cashflow⁴ are the key indicators management use to measure performance. KPIs for the financial year ended 30 June 2018 are shown in the table below, along with prior year comparatives.

	2018 €000	2017 €000	Change %
Sales of goods and services	673,095	442,187	+52%
EBITDA ¹	39,072	30,749	+27%
Free Cash Flow ⁴	54,367	18,218	+198%

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

Actions and measures 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.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

4. Defined as cash generated from operations on page 61.

THE DIRECTORS PRESENT THEIR REPORT (CONTINUED)

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 on-going 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.

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.

THE DIRECTORS PRESENT THEIR REPORT (CONTINUED)

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

Subsequent to 30 June 2018, the Group continued its acquisition strategy. The acquisition in July 2018 of Imprimus Limited (formally Stralfors UK) enhances our transactional document management offering. In September 2018 the Group increased its investment in BeeBuzziness SAS to 14% of the entire issued share capital. In October 2018 the Group acquired the trade and certain assets of Prisme Solutions SAS in France. Also during October 2018, the Group acquired part of the trade and certain assets in France of Arvato France. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of Airweb SAS in France. In November 2018, the Group, having received approval from the German anticartel office, will complete the acquisition of the rcDDM Group in Germany. rcDDM Group is a perfect fit for our expansion strategy and will bring our annual revenues in Germany well above €160 million. In November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration. Predominantly located in the UK, there also operations in Hong Kong and New York.

In the directors' opinion there were no other post Statement of Financial Position 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.

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.

The Company has ample liquidity and a stable long-term source of funding. In the previous financial year on 16 December 2016, the Company raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. On 7 April 2018, the Company raised €89,000,000 of loan notes that were admitted to trading on the Luxembourg MTF market. These loan notes are repayable on 15 December 2023 and 6 April 2025 respectively.

The Group generated strong free cash flows⁴ during the year. In 2018 the Group generated free cash flows⁴ of €54,367,000 (2017: €18,218,000).

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 financial statements.

4. Defined as cash generated from operations on page 61.

THE DIRECTORS PRESENT THEIR REPORT (CONTINUED)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and Directors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

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

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditors

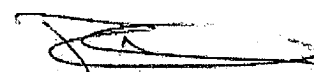
Ernst & Young LLP retired as auditors during the year. We would like to acknowledge and thank them for their services over the years. Grant Thornton UK LLP were appointed as auditors during the year. A resolution to reappoint Grant Thornton UK LLP as auditors will be put to the members at the Annual 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 48. 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

30 November 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARAGON GROUP LIMITED

Opinion

We have audited the financial statements of Paragon Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flow and notes to the consolidated and Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 2018 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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. We are independent of the Group and the 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, 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.

Who we are reporting to

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.

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

TO THE MEMBERS OF PARAGON GROUP LIMITED (CONTINUED)

Other information

The directors are responsible for the other information.

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARAGON GROUP LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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's and the 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.

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



Paul Naylor

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

30 November 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 €000	2018 €000	2018 €000	2017 €000	2017 €000	2017 €000
		Underlying	Non-underlying	Statutory	Underlying	Non-underlying	Statutory
Revenue from sale of goods and services	3	673,095	–	673,095	442,187	–	442,187
Material costs		309,928	851	310,779	188,822		188,822
Payroll	4, 5, 8	219,765	6,961	226,726	151,127	5,024	156,151
Other operating costs	4, 8	101,132	4,066	105,198	74,518	4,054	78,572
Other operating income	8	–	(8,680)	(8,680)	–	(12,107)	(12,107)
Operating costs		630,825	3,198	634,023	414,467	(3,029)	411,438
EBITDA¹	8	42,270	(3,198)	39,072	27,720	3,029	30,749
Depreciation and amortisation	4	23,878	–	23,878	12,748	–	12,748
EBIT¹/Operating profit	8	18,392	(3,198)	15,194	14,972	3,029	18,001
(Loss)/gain on assets disposal	8	–	(41)	(41)	–	155	155
Share of equity accounted investments	14	154	–	154	80	–	80
Dividend income		–	–	–	9	–	9
Finance income	6	797	–	797	184	–	184
Finance cost	7	(7,131)	–	(7,131)	(4,728)	–	(4,728)
Profit on ordinary activities before tax	4	12,212	(3,239)	8,973	10,517	3,184	13,701
Income tax (charge)/credit	9	(1,249)	2,013	764	(1,860)	335	(1,525)
Profit for the year from continuing operations		10,963	(1,226)	9,737	8,657	3,519	12,176
Losses on discontinued operations		–	(2,371)	(2,371)	–	–	–
Profit for the year		10,963	(3,597)	7,366	8,657	3,519	12,176
Attributable to:							
Owners of the parent		10,746	(2,394)	8,352	8,555	3,519	12,074
Non-controlling interests – Continuing operations		217	(1,203)	(986)	102	–	102
Profit for the year		10,963	(3,597)	7,366	8,657	3,519	12,176

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	2018 €000	2017 €000
Profit for the year	7,366	12,176
<i>Items that will not be reclassified subsequent to profit or loss</i>		
Actuarial (loss) recognised on pension scheme (Note 23 , 25)	(241)	(286)
Deferred tax arising thereon	40	104
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	1,045	189
Other comprehensive income for the year	844	7
Total comprehensive income for the year	8,210	12,183
Attributable to:		
Owners of the parent	9,273	12,081
Non-controlling interests	(1,063)	102
	8,210	12,183

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 €000	2017 €000
Assets			
Non-current assets			
Property, plant and equipment	11	73,315	70,785
Goodwill	13	81,002	74,929
Other intangible assets	15	41,626	26,918
Financial investments	14	1,192	1,079
Retirement benefits surplus	25	1,027	765
Deferred tax asset	24	3,762	1,196
Other non-current assets	18	461	489
		202,385	176,161
Current assets			
Inventories	17	33,257	33,810
Trade and other receivables	18	102,133	124,323
Income tax receivable		3,566	3,280
Cash and cash equivalents	18	116,655	43,804
		255,611	205,217
Assets held for sale	16	5,285	3,785
		260,896	209,002
Total assets		463,281	385,163
Liabilities			
Current liabilities			
Obligations under finance leases	21	2,794	3,474
Borrowings	20	32,373	26,311
Trade and other payables	19	147,991	148,338
Income tax payable		2,198	1,375
Deferred income	22	3,698	4,565
Provisions	23	6,247	5,213
		195,301	189,276

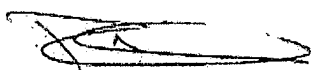
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Notes	2018 €000	2017 €000
Non-current liabilities			
Borrowings	20	152,165	90,297
Obligations under finance leases	21	7,168	9,249
Provisions	23	7,284	8,385
Deferred consideration	19	4,663	2,119
Deferred income	22	1,158	1,155
Deferred tax liabilities	24	3,017	1,283
Retirement benefits deficit	25	802	–
		176,257	112,488
Total liabilities		371,558	301,764
Net assets		91,723	83,399
Equity			
Share capital	27	30,000	30,000
Capital reserve		23,867	23,867
Capital redemption reserve		1,750	1,750
Cumulative translation reserves		1,111	66
Retained earnings		34,343	26,115
Non-controlling interests		652	1,601
Total equity		91,723	83,399

These financial statements were approved by the Board of Directors on 30 November 2018 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 2018

Attributable to the equity holders of the parent

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

Attributable to the equity holders of the parent

	Share capital €000	Capital Reserve €000	Capital redemption reserves €000	Retained earnings €000	Cumulative translation reserves €000	Total €000	Non- controlling interest €000	Total Equity €000
Balance as at 30 June 2017	30,000	23,867	1,750	26,115	66	81,798	1,601	83,399
Profit/loss for the year	–	–	–	8,352	–	8,352	(986)	7,366
Other comprehensive income for the year	–	–	–	(124)	1,045	921	(77)	844
Non-controlling interest arising on acquisitions	–	–	–	–	–	–	288	288
Reduction in non- controlling interest arising upon an increase in shareholding	–	–	–	–	–	–	(174)	(174)
Balance at 30 June 2018	30,000	23,867	1,750	34,343	1,111	91,071	652	91,723

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 €000	2017 €000
Profit from continuing activities before tax		8,973	13,701
Adjustments for:			
Loss before tax from discontinued operations	10	(2,379)	–
Depreciation of property, plant and equipment	11	18,476	11,668
Non-cash gains on acquisitions	8	(8,680)	(12,107)
Amortisation of intangible assets	15	6,111	1,108
Loss/(gain) on assets disposal	8	41	(155)
Amortisation of government grants	22	(72)	(28)
Share of equity accounted investments	14	(154)	(80)
Net finance costs	6,7,10	6,371	4,544
Operating cash inflows before movements in working capital		28,687	18,651
Decrease/(increase) in inventories		837	(2,697)
Decrease/(increase) in receivables		48,232	(10,111)
(Decrease)/increase in payables		(19,028)	8,976
(Decrease)/increase in deferred income		(1,635)	590
Cash contributions to defined benefit pension schemes		(62)	(98)
(Decrease)/increase in other provisions	23	(2,664)	2,907
Cash generated from operations		54,367	18,218
Interest paid		(5,899)	(2,248)
Interest income		54	47
Income tax paid		(1,773)	(1,237)
Net cash generated by operating activities		46,749	14,780
Cash flows from investing activities			
Payments for property, plant and equipment, and intangibles		(21,753)	(9,167)
Proceeds from disposal of property, plant and equipment and intangibles		1,298	290
Proceeds from disposal of assets held for sale		3,509	–
Proceeds from government grants	22	226	–
Proceeds from disposal of investments		57	–
Payment for purchase of investments	14	(300)	–
Payments for acquisition of subsidiaries, net of cash acquired		(16,940)	(8,292)
Dividends received from associates	14	374	–
Net cash used in investing activities		(33,529)	(17,169)

continued...

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Notes	2018 €000	2017 €000
Cash flows from financing activities			
Repayments of capital element of finance leases		(8,027)	(3,454)
Repayment of borrowings		(24,811)	(37,492)
Proceeds from borrowings		5,010	7,691
Proceeds from bond		88,393	51,162
Net cash generated by financing activities		60,565	17,907
Net increase in cash and bank overdrafts		73,785	15,518
Cash net of bank overdrafts at the beginning of the year		34,710	19,454
Net increase in cash and bank overdrafts		73,785	15,518
Effect of exchange rate changes on the balance of cash held in foreign currencies		(65)	(262)
Cash net of bank overdrafts at the end of the year		108,430	34,710

Analysis of net debt

	At 1 July 2017 €000	Cash flow €000	Exchange difference €000	Interest €000	Non cash €000	Acquisition movements €000	At 30 June 2018 €000
Cash and cash equivalents	43,804	68,786	(52)	-	-	4,117	116,655
Bank overdrafts	(9,094)	917	(13)	-	-	(35)	(8,225)
Cash net of bank overdrafts	34,710	69,703	(65)	-	-	4,082	108,430
Bank loans	(56,287)	19,801	48	(89)	-	(25)	(36,552)
Bonds net of unamortised issue costs	(51,227)	(88,393)	-	-	(141)	-	(139,761)
Obligation under finance leases	(12,723)	8,027	53	-	(3,369)	(1,950)	(9,962)
Net debt	(85,527)	9,138	36	(89)	(3,510)	2,107	(77,845)

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.

Non cash movements include amortisation of bond issue costs and new finance lease debt incurred during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 30 November 2018.

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

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101. These are presented on pages 117 to 124.

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 2018:

- Disclosure initiative (Amendments to IAS 7)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Annual improvements to IFRSs 2014 – 2016 Cycle – various standards (Amendments to IFRS 12).

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 2018, 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:

- IFRS 2: Classification and measurement of share based payments (effective for the Group's 2019 consolidated financial statements)
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for the Group's 2019 consolidated financial statements)
- Amendment to IAS 40: Transfers of Investment Property (effective for the Group's 2019 consolidated financial statements).

(b) Subject to ongoing assessment by the Group:

- IFRS 9: Financial Instruments (effective for the Group's 2019 consolidated financial statements)
- IFRS 15: Revenue from Contracts with Customers (effective for the Group's 2019 consolidated financial statements)
- IFRS 16: Leases (effective for the Group's 2020 consolidated financial statements)
- IFRS 17: Insurance contracts (effective for the Group's 2021 consolidated financial statements)

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

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 Significant accounting policies

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 (w) on page 69.

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

The presentation of the Statement of Comprehensive Income has been altered to show the impact of non-underlying items on the Group's result for the year, and the comparative period. The directors believe this presentation better reflects the financial performance of the Group and is fundamental to the readers understanding of its results.

(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 2018. 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

FOR THE YEAR ENDED 30 JUNE 2018 (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.

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

FOR THE YEAR ENDED 30 JUNE 2018 (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 Statement of Financial Position 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 Significant accounting policies (continued)

Provisions for restructuring costs

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline and the employees affected have been notified of the plan's main features.

(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 consolidated financial statements are presented in euros, which is the Parent Company's functional currency and presentational currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency, which is determined on the primary economic environment. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(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. This includes restricted cash arising from the Group factoring facility.

Factoring arrangement

The Group is party to a debt factoring arrangement where advances received are without recourse. Where receivable balances have been sold and the risk and rewards have been transferred to the factorers, the remaining amount is held within the receivable balance and is due from the debt factors.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (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 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

FOR THE YEAR ENDED 30 JUNE 2018 (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) Non-current assets held for sale

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

(q) EBIT/EBITDA

EBITDA is earnings before interest, tax, depreciation and amortisation. It also includes all restructuring and non-underlying items and any gains/(losses) arising on or from acquisitions (including gains on bargain purchases).

EBIT includes depreciation and amortisation.

(r) Underlying EBIT/EBITDA

Underlying EBIT and EBITDA is stated after adjusting for items which in the opinion of the directors are non-underlying due to their nature, size or incidence. Whilst costs/gains of this nature can reoccur they have been highlighted to provide a better understanding of the underlying performance of this trading group.

(s) 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.

(t) 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, within other operating costs, as a bargain purchase. Please see Note 8 to the financial statements for further detail in relation to non-underlying items.

(u) 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.

(v) Discontinued operations

Discontinued operations are reported when a component of the Group has been disposed of, or when a sale is highly probable; and its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and is classified as held for sale or has been disposed of. The Group classifies a non-current asset or disposal group as held for disposal if its carrying value will be recovered through a sales transaction or distribution to shareholders rather than continuing use. In the Consolidated Income Statement, discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations. Corresponding notes to the Consolidated Income Statement exclude amounts for discontinued operations, unless stated otherwise.

(w) Critical accounting judgements and estimation uncertainty

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 Significant accounting policies (continued)

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.

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.

Non-underlying item presentation

IAS requires material items to be disclosed separately in a way that enables users to assess the quality of a company's profitability. In practice, these are commonly referred to as 'non-underlying' items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in headline profit. We consider items which are non-recurring and/or significant in size or in nature to be suitable for separate presentation. Please see Note 8 to the financial statements for further details in relation to non-underlying items.

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 €225,000 (2017: €765,000).

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

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

3 Revenue

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

	2018 €000	2017 €000
Continuing operations		
Paragon Customer Communications	489,719	272,785
Paragon ID	98,330	80,960
Paragon Graphic Services	84,427	87,895
Rental income	619	547
Total revenue	673,095	442,187
Share of revenue from joint ventures	1,063	518

4 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2018 €000	2017 €000
Auditor's remuneration:		
Audit fees:		
– Audit of the Group accounts	113	175
– Audit of the accounts of the Company's subsidiaries by the Group auditors	546	821
– Audit of the accounts of the Company's subsidiaries by others	532	342
Non audit fees to Group auditors:		
Accounting & taxation advice	4	57
Foreign exchange (gain)/loss	(91)	477
Non-underlying net expenses/(gains) (Note 8)	3,198	(3,029)
Depreciation of property, plant and equipment (Note 11)	17,839	11,668
Amortisation of intangible assets (Note 15)	6,111	1,108
Amortisation of government grants (Note 22)	(72)	(28)
Depreciation and amortisation	23,878	12,748
Operating lease minimum rentals:		
– land and buildings	10,923	8,835
– plant and equipment	5,977	6,860
Operating lease contingent rentals plant and equipment	1,758	1,646
Sublease rental income	(619)	(547)
Total lease and sublease payments recognised in the Income Statement	18,039	16,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

5 Staff costs

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

	2018 No.	2017 No.
Production	4,564	3,056
Administration	1,110	1,033
	5,674	4,089

Their aggregate remuneration comprised:

	2018 €000	2017 €000
Wages and salaries	186,635	122,721
Social security costs	37,187	31,865
Other pension costs	2,904	1,565
	226,726	156,151

Directors emoluments:

	2018 €000	2017 €000
Remuneration	1,978	1,848
Company contributions paid to money purchase scheme	54	–
	2,032	1,848

	2018 No.	2017 No.
Members of money purchase pension schemes	2	1

The remuneration from the Company of the highest paid director in the amount of €1,259,000 (2017: €1,230,000) includes amounts paid to related parties in which the director also operates as a director of €1,200,000 (2017: €1,172,000). The contributions paid into money purchase pension schemes for the highest paid director were €1,000 (2017: €nil).

6 Finance income

	2018 €000	2017 €000
Interest on bank deposits	28	33
Net interest income on pension scheme assets and liabilities (Note 23, 25)	–	21
Interest on loans with discontinued operations	24	–
Change in deferred consideration	449	–
Movement in fair value of financial instrument	159	–
Interest on loan to related party (Note 31)	26	14
Other interest income	111	116
	797	184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

7 Finance cost

	2018 €000	2017 €000
Bank loans and overdrafts	2,850	2,104
Finance charge on leased assets	413	333
Net interest income on pension scheme assets and liabilities (Note 23, 25)	4	–
Notional interest on long term receivable and deferred consideration	115	48
Bond interest	2,998	1,111
Foreign exchange losses on retranslation of intercompany loan balances	610	1,067
Amortisation of capitalised bond issue costs	141	65
	7,131	4,728

8 Non-underlying items impacting EBITDA¹

Non-underlying items are those which in the opinion of the directors are non-underlying 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.

Non-underlying items disclosed on the face of the Consolidated Income Statement in respect of continuing operations are as follows:

Continuing operations

Non-underlying (credits)/charges that arose in the year are as follows:

	2018 €000	2017 €000
Redundancy and related charges (a)	6,961	5,024
Costs of industrial relocation and consolidation (b)	3,650	2,798
Insurance receivable provisions arising on warranty reclaim	–	352
Acquisition related fees (c)	720	579
Other (d)	547	325
Gain on acquisition (e) (note 12)	(8,680)	(12,107)
Non-underlying net expenses/(gains) impacting EBITDA	3,198	(3,029)
Loss/(gain) on asset disposals	41	(155)
	3,239	(3,184)
Income tax credit	(2,013)	(335)
	1,226	(3,519)

(a) Redundancy and related charges include the redundancy, payroll and related charges that arise from the closure of locations and the reduction of staff resources at various locations. Also included are costs associated with redundant roles from the point of acquisition.

(b) Costs of industrial relocation and consolidation includes the charges arising from the close of locations, relocation of activities between sites and new activity start-up costs.

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

(d) Amounts included in other non-underlying items are costs to establish new operations and legacy Scandinavian VAT settlements.

(e) Gains on acquisition arose on bargain purchases as defined by IFRS 3.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

9 Income tax charge

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

	2018 €000	2017 €000
Current tax		
Current tax on profits for the year	2,105	2,064
Adjustments for current tax on prior periods	239	(485)
Total current tax charge/(credit)	2,344	1,579
Originations and reversals of temporary differences	(2,929)	106
Adjustments for deferred tax on prior periods	(179)	(160)
Total deferred tax credit (Note 24)	(3,108)	(54)
Total income tax (credit)/charge	(764)	1,525

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

	2018 €000	2017 €000
Profit before tax	8,973	13,701
Tax calculated at a rate of 19% (2017 – 19.75%)	1,705	2,706
Non-taxable income	(3,718)	(3,289)
Non-deductible expenses	(652)	1,441
Effect of changes in tax rates	–	–
Losses carried forward not recognised	2,329	1,335
Utilisation of previously unrecognised tax losses	(972)	(321)
Effect of different tax rates of subsidiaries	484	292
Foreign exchange differences	–	6
Adjustments in respect of prior periods	60	(645)
Total income tax (credit)/charge	(764)	1,525

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

	2018 €000	2017 €000
Deferred tax (credit) on origination and reversal of temporary differences (Note 24)	(40)	(104)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

10 Analysis of loss for the year from discontinued operations

The results of the discontinued operations (Beijing ASK Smart Technology Co. Limited and KSB Groep BV) included in the profit for the year are included in the Income Statement as set out below. The comparative Income Statements and cashflows for the current year discontinued operations are not presented as they were not material to the Consolidated Income Statement and Cash Flow in the prior year.

	2018 €000
Discontinued operations:	
Revenue from sale of goods and services	1,342
Material costs	781
Payroll	1,543
Other operating costs	723
Operating costs	3,047
EBITDA¹	(1,705)
Depreciation and amortisation	637
EBIT¹/Operating loss	(2,342)
(Loss)/gain on assets disposal	–
Finance income	–
Finance cost	37
Loss before tax	(2,379)
Income tax credit	8
Loss for the year from discontinued operations	(2,371)
Cashflows from discontinued operations	
Net cash outflows from operating activities	(1,457)
Net cash inflows from investing activities	45
Net cash outflows from financing activities	(29)
Net cash outflows	(1,441)

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11 Property, plant and equipment

	Land and buildings €000	Plant and machinery €000	Fixtures, fittings and equipment €000	Total €000
Cost or valuation:				
At 1 July 2016	55,474	148,985	5,216	209,675
Additions	1,445	8,235	1,049	10,729
Acquisitions	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
Additions	1,302	14,008	1,182	16,492
Transfers	(9,102)	(1,716)	–	(10,818)
Acquisitions (Note 12)	5,731	5,630	363	11,724
Disposals	(711)	(14,985)	(302)	(15,998)
Exchange movements	(152)	(1,249)	(97)	(1,498)
At 30 June 2018	57,999	170,303	7,837	236,139
Accumulated depreciation and impairment:				
At 1 July 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
Charge for the period	3,083	14,410	983	18,476
Transfers	(3,817)	(981)	–	(4,798)
Disposals	(582)	(14,282)	(247)	(15,111)
Exchange movements	(137)	(985)	(73)	(1,195)
At 30 June 2018	30,948	126,900	4,976	162,824
At 30 June 2018	27,051	43,403	2,861	73,315
At 30 June 2017	28,530	39,877	2,378	70,785

Amounts included in transfers include properties no longer in use that are now included in held for sale and movements between property, plant and equipment and other intangible assets.

The Group has freehold land, included within land and buildings, with a book value of €6,425,000 (2017: €4,537,000), which has not been depreciated. The amount of fully depreciated machinery and equipment and fixtures and fittings is €103,927,000 (2017: €102,710,000).

The net book value of machinery and equipment above includes an amount of €13,309,000 (2017: €6,530,000) 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 €nil (2017: €1,371,000) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

12 Acquisitions

Acquisition of docsellent GmbH

On the 16 October 2017, the Group acquired the entire issued share capital of docsellent GmbH.

The Company now trades as Paragon Customer Communications Korschenbroich GmbH (PCC Korschenbroich).

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 of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	8,574
Software	49
Customer relationships	5,597
Financial investments	48
Retirement benefit surplus	109
Non-current assets	14,377
Inventories	272
Trade and other receivables	4,499
Cash and cash equivalent	1,022
Current assets	5,793
Total assets	20,170
Trade and other payables	3,777
Finance lease	908
Deferred tax liabilities	1,556
Income tax payable	41
Retirement benefit deficit	860
Total liabilities	7,142
Net assets	13,028
Fair value of consideration	5,357
Gain on acquisition (Note 8)	(7,671)

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.

The fair value of consideration comprised of cash payments of €1,630,000 and deferred consideration of €3,727,000.

The acquisition of docsellent GmbH, a medium-sized German company in transactional printing and document services is a cornerstone of Paragon's entry into the German transaction market. Along with expertise in management of secure digital and physical transactional documents, the acquisition gave Paragon a geographical presence in the most densely populated region of Germany and a strong management team who are taking Paragon Customer Communications Germany forward.

In respect of the acquisition of docsellent GmbH, revenue of €26,388,000 and EBITDA of €2,535,000 have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €38,788,000 and EBITDA1 of €3,305,000.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

12 Acquisitions (continued)

Acquisition of SIMS Managed Services division of St Ives Plc

On the 22 June 2018, the Group acquired the entire issued share capital of St Ives Management Systems Limited (SIMS).

The Company now trades as Paragon Customer Communications (Finsbury Circus) Limited.

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 of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	219
Technology assets	2,137
Customer relationships	6,269
Non-current assets	8,625
Trade and other receivables	6,591
Cash and cash equivalent	3,058
Current assets	9,649
Total assets	18,274
Trade and other payables	8,149
Deferred tax liabilities	1,582
Income tax payable	416
Total liabilities	10,147
Net assets	8,127
Fair value of consideration	16,154
Goodwill on acquisition (Note 13)	8,027

The fair value of consideration comprised of a cash payment of €16,154,000.

Paragon extended its UK footprint with this acquisition. The integration of SIMS into the business allows Paragon Customer Communications to expand its capabilities while improving the range of solutions offered to clients. The new acquisition brings increased expertise in print management, point of sale, direct mail, promotional material, multi-channel services and campaign planning.

In respect of the acquisition of SIMS, revenue of €618,000 and EBITDA of €70,000 have been achieved. This has been included in the financial statements since the date of acquisition.

The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €37,403,000 and EBITDA¹ of €2,244,000.

Other transactions

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

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 31 October 2017, the Group acquired all of the issued share capital of Document Management Solutions Limited, which has subsequently been renamed as Global Document Systems Limited. This tactical acquisition in Caerphilly, UK, has strengthened our position in some niche areas of document management, specifically around secure pressure seal.

On 17 January 2018, the Group acquired the trade and certain assets of FT Solutions Ltd in Administration and FT Mail Ltd in Administration, a communications and branding solutions provider specialising in print and procurement for the travel, retail, training, financial services, membership and loyalty sectors.

On 18 May 2018, the Group acquired the trade and certain assets of Kingswood Steele Limited in Administration, a provider of small format commercial, legal digital print, large format graphic and signage.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

12 Acquisitions (continued)

On 31 May 2018 the Group acquired 75.39% of the issued share capital in AmaTech Group Limited. This brings Paragon ID into the banking sector, where AmaTech has a strong intellectual property position in RFID-enabled metal payment objects, including dual interface metal cards and wearable devices. Through this acquisition, Paragon ID also broadens its wire-embedding technology, primarily for ePassports and national identity cards. Synergies with AmaTech are also expected to come from joint research and development in passive display smartcards to counter online fraud.

In respect of these four small acquisitions, revenue of €6,478,000 and EBITDA of €138,000 have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of these acquisitions had they been made at the start of the financial year would have been revenue of €20,468,000 and EBITDA¹ of €(156,000).

	Fair value €000
Property, Plant and equipment	2,931
Patents	539
Development expenditure	35
Customer relationships	1,563
Deferred tax asset	990
Non-current assets	6,058
Inventories	381
Trade and other receivables	3,847
Cash and cash equivalent	37
Current assets	4,265
Total assets	10,323
Trade and other payables	2,060
Finance lease	1,042
Bank overdraft	35
Provisions	2,219
Deferred consideration	477
Borrowings	25
Deferred tax liabilities	34
Total liabilities	5,892
Net assets	4,431
Reduction in non-controlling interest	(174)
Non-controlling interest reduction on increase in investment	195
Non-controlling interest arising	(288)
Total	4,164
Fair value of consideration	3,598
Net (gain) on acquisition/goodwill arising on acquisition	(566)
Gain on acquisition (Note 8)	(1,009)
Goodwill on acquisition (Note 13)	443
	(566)

These four smaller acquisitions have been presented in one acquisition table. Though presented in one table, these four acquisitions have been accounted for separately. A gain on acquisition arose on one of these acquisitions and goodwill arose on the other three. The fair value of consideration for all these businesses comprised cash payments of €3,238,000 and deferred consideration of €360,000.

1. EBIT and EBITDA are defined in Note 2(q) on page 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

13 Goodwill

	2018 €000
Cost and carrying amount of goodwill	
At 1 July 2016	43,240
Acquisitions	29,292
At 30 June 2017	74,929
Acquisitions (Note 12)	8,470
Goodwill adjustment for prior year acquisition	(2,397)
At 30 June 2018	81,002

The goodwill reported for the year ended 30 June 2017 of €74,929,000 has been revised to €72,532,000 due to the finalisation of the Paragon ID SA (previously known as ASK SA) goodwill within twelve months of the date of acquisition.

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 prior year, as a result of the continued growth of the Group, the directors took the decision to re-organise the Group's reporting structure. As a consequence, the six CGUs are grouped together in three cash-generating unit groups (CGUGs). These are:

- Paragon Customer Communications – provides a range of services to our clients to improve their communications with their customers (3 CGUs)
- Paragon ID – delivers RFID and contactless solutions for personal identification, mass transit, smart cities, brand protection and traceability (2 CGUs)
- 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

In accordance with IAS 36, this re-allocation was executed on the basis of the relative value of the units concerned. This reallocation did not result in an impairment.

	2018 €000	2017 €000
Paragon Customer Communications (PCC)	38,718	27,997
Paragon ID (PID)	39,368	41,765
Paragon Graphic Services (PGS)	2,916	5,167
	81,002	74,929

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% (2017: 12.4%)	2.1% (2017: 0.9%)
Paragon ID	12.4% (2017: 12.4%)	2.1% (2017: 0.9%)
Paragon Graphic Services	12.7% (2017: 12.7%)	2.1% (2017: 0.9%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

13 Goodwill (continued)

Impairment testing of goodwill

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

The recoverable amount of each CGU is based on a value in use computation, which has been calculated over a five year period. The cash flow forecasts employed for this computation are extracted from budgets 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.

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 2018 (2017: 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	13% to 29% (2017: 27% to 40%)	52% to 70% (2017: 48% to 80%)
Paragon ID	6% to 21% (2017: 23% to 25%)	43% to 82% (2017: 33% to 36%)
Paragon Graphic Services	13% to 21% (2017: 11% to 23%)	45% to 72% (2017: 36% to 80%)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

14 Financial investments

	Trade investments €000	Investment in associates €000	Investment in joint ventures €000	Total €000
Cost of valuation				
At 1 July 2017	31	72	976	1,079
Acquisitions	48	-	-	48
Additions	300	-	-	300
Disposals	(10)	-	-	(10)
Share of profits/(losses)	-	(16)	170	154
Dividends (received)	-	-	(374)	(374)
Exchange movements	(2)	(1)	(2)	(5)
At 30 June 2018	367	55	770	1,192

Details on the Group's joint ventures and associates can be found in Note 34.

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 €000	Current assets €000	Current liabilities €000	Total €000
As at 30 June 2018				
Joint ventures	1	1,294	(525)	770
Associates	3	62	(10)	55
At 30 June 2018	4	1,356	(535)	825
	Non-current assets €000	Current assets €000	Current liabilities €000	Total €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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

15 Other intangible assets

	Development Expenditure €000	Software €000	Customer relationships €000	Licences & other intangibles €000	Patents €000	Total €000
Cost:						
At 1 July 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
Goodwill adjustments for prior year acquisition	–	–	898	45	1,704	2,647
Transfers	1,074	(284)	–	271	655	1,716
Acquisitions (Note 12)	35	2,186	13,429	–	539	16,189
Additions	–	1,293	–	217	–	1,510
Disposals	–	(1,264)	–	–	–	(1,264)
Exchange movement	(11)	(65)	(40)	(15)	–	(131)
At 30 June 2018	2,019	11,386	35,118	1,196	5,003	54,722
Accumulated amortisation:						
At 1 July 2016	903	3,693	–	–	–	4,596
Disposals	(903)	–	–	–	–	(903)
Charge for the period	62	1,025	–	21	–	1,108
Exchange movement	–	(303)	–	(8)	–	(311)
At 30 June 2017	62	4,415	–	13	–	4,490
Transfers	–	61	–	399	521	981
Charge for the period	562	1,751	3,292	139	367	6,111
Disposals	–	(1,040)	–	–	–	(1,040)
Exchange movement	(1)	(77)	–	(15)	–	(93)
At 30 June 2018	623	5,110	3,292	536	888	10,449
Net book value:						
At 30 June 2018	1,396	6,276	31,826	660	4,115	44,273
At 1 July 2017	859	5,105	19,933	620	401	26,918

Amounts included in transfers have been moved between other intangible assets and property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

16 Assets held for sale

	2018 €000	2017 €000
At 1 July	3,785	3,783
Transfer from land and buildings	5,285	–
Disposals	(3,785)	–
Exchange movements	–	2
At 30 June	5,285	3,785

Two properties that had been held for sale in Collegien, France and Pilsen, Czech Republic were both sold during the year. At year-end, a further property in Pilsen, Czech Republic that had been included in land and buildings ceased to be in use and has been transferred from land and buildings to held for sale.

17 Inventories

	2018 €000	2017 €000
Raw materials and consumables	17,852	17,928
Work in progress	6,246	6,289
Finished goods and goods for resale	9,159	9,593
	33,257	33,810

There was no write-down of inventories in either period. Inventories included in cost of sales in the year amounted to €268,908,000 (2017: €186,567,000).

18 Other financial assets

	2018 €000	2017 €000
Trade and other receivables		
Amounts receivable for the sale of goods and services	79,983	109,285
Allowance for doubtful debts	(2,531)	(1,933)
Trade receivables	77,452	107,352
VAT receivables	3,281	3,129
Other receivables	1,725	4,937
Amount due from related party (Note 31)	864	47
Amount due from joint ventures and associates (Note 31)	847	755
Prepayments and accrued income	17,964	8,103
	102,133	124,323

The Group is party to a debt factoring arrangement where advances received are without recourse. Where receivable balances have been sold and the risk and rewards have been transferred to the factorers, the remaining amount is held within the receivable balance and is due from the debt factors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

18 Other financial assets (continued)

	2018 €000	2017 €000
Other non-current assets		
Other receivables (see below)	461	489
	461	489

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 to reflect the fair value of the amounts receivable. The Group received a net refund from the French state fund in the current year of €15,000 (2017: net refund €23,000).

	2018 €000	2017 €000
Cash and cash equivalents	116,655	43,804
Cash and cash equivalents	116,655	43,804

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. Included are restricted cash balances arising from the Group factoring facility of €1,150,000 (2017: €38,000).

19 Trade and other payables

	2018 €000	2017 €000
Trade payables	86,594	85,077
Other taxes and social security	21,133	20,471
Holiday accrual	7,057	7,859
Amounts due to related parties (Note 31)	686	561
Other payables	6,373	3,902
Amount owed to joint ventures and associates (Note 31)	2,037	2,251
Accruals for goods and services	21,918	24,349
Financial instrument	240	399
Deferred consideration	1,953	3,469
	147,991	148,338

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 150,785 shares in Paragon ID 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:

	2018 €000	2017 €000
Within one year	1,953	3,469
Beyond one year	4,663	2,119
	6,616	5,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

20 Borrowings

	2018 €000	2017 €000
Bank loans	36,552	56,287
Bonds net of unamortised issued costs	139,761	51,227
Bank overdrafts	8,225	9,094
	184,538	116,608

The borrowings are repayable as follows:

	2018 €000	2017 €000
Within one year	32,373	26,311
Between two and five years	12,359	37,930
Beyond five years	139,806	52,367
	184,538	116,608

Bonds

On 7 April 2018, the Company raised €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 890 loan notes with a face value of €100,000 each. The repayment date is 6 April 2025.

In the previous financial year on 16 December 2016, the Company raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 520 loan notes with a face value of €100,000 each. The repayment date is 15 December 2023.

The proceeds are to be used to fund future acquisitions.

The notes bear a fixed interest rate between 4% to 5% subject to a margin grid.

The loan notes are secured on investments of the Company.

The issuance costs have been capitalised and are being amortised to net finance costs over the 7 year life of these loan notes.

Bank loans

The bank loans and other borrowings comprise both fixed terms and other credit facilities. €5,749,000 are secured on land and buildings in the form of a commercial mortgage. €16,776,000 is secured on trade debtors and are subject to terms and conditions as to the nature, quantum and age of such debtors. €1,312,000 is secured on equipment.

Amounts falling due after more than one year include a variable facility of €nil (2017: €25,289,000) secured over debtors.

- €nil (2017: €16,346,000) is due on the French and UK facility as it was not renewed and has been replaced with alternate funding.
- €nil (2017: €8,943,000) is due on the separate UK facility 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

21 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 2018 €000	Present value of minimum lease payments 2018 €000	Minimum lease payments 2017 €000	Present value of minimum lease payments 2017 €000
Amounts payable under finance leases:				
Within one year	2,965	2,794	3,772	3,474
Between two to five years	7,516	7,083	9,497	8,923
In more than five years	91	85	342	326
	10,572	9,962	13,611	12,723
Less finance charges	(610)		(888)	
Present value of lease obligations	9,962		12,723	
Current	2,794		3,474	
Non-current	7,168		9,249	
	9,962		12,723	

22 Deferred income

	2018 €000	2017 €000
Advanced billings and other deferred income	3,548	4,486
Government grants	560	410
Deferred gains on property sale and leaseback	748	824
	4,856	5,720
Current	3,698	4,565
Non-current	1,158	1,155
	4,856	5,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

22 Deferred income (continued)

Government grants

	2018 €000	2017 €000
At 1 July	410	465
Proceeds from government grants received	226	–
Released in the year	(72)	(28)
Exchange movements	(4)	(27)
At 30 June	560	410

The above grant has no unfulfilled obligations or contingencies.

23 Provisions

	Retirement €000	Restructuring €000	Other €000	Total €000
Balance at 1 July 2016	2,739	999	632	4,370
Utilised during the period	(179)	(370)	(404)	(953)
Exchange movements	–	(3)	(113)	(116)
Charge/(credit) during the period	181	3,445	234	3,860
Reclassification from trade payables	–	–	130	130
Acquisitions	954	–	5,353	6,307
Balance at 30 June 2017	3,695	4,071	5,832	13,598
Actuarial movements	390	–	–	390
Utilised during the period	(416)	(1,713)	(1,169)	(3,298)
Exchange movements	–	6	(35)	(29)
Interest charge during the period	17	–	–	17
Charge during the period	185	542	(93)	634
Acquisitions (Note 12)	–	166	2,053	2,219
Balance as at 30 June 2018	3,871	3,072	6,588	13,531
Current	449	3,042	2,756	6,247
Non-current	3,422	30	3,832	7,284
Balance as at 30 June 2018	3,871	3,072	6,588	13,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

23 Provisions (continued)

Retirement provisions

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

Restructuring provisions

This provision includes redundancy and related charges incurred on the closure or restructuring of Group operations. Restructuring provisions are recognised when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features.

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.

24 Deferred tax

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

	2018 €000	2017 €000
Deferred tax assets	3,762	1,196
Deferred tax liabilities	(3,017)	(1,283)
Net deferred tax assets/(liabilities)	745	(87)

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

	2018 €000	2017 €000
Asset/(liabilities) at the beginning of the period	(87)	244
Credit to the Consolidated Income Statement (Note 9)	3,108	54
Credit to the Consolidated Statement of Comprehensive Income (Note 9)	40	104
Acquisitions (Note 12)	(2,182)	(380)
Exchange rate differences	(134)	(109)
Asset/(liabilities) at the end of the period	745	(87)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

24 Deferred tax (continued)

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

	Property, Plant & Equipment €000	Tax Losses €000	Other Temporary Differences €000	Total €000
Balance at 1 July 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)
Credit to the Consolidated Income Statement	1,966	1,433	(291)	3,108
Credit to the Consolidated Statement of Comprehensive Income	–	–	40	40
Acquisitions	58	602	(2,842)	(2,182)
Items taken direct to equity	–	–	(134)	(134)
Balance at 30 June 2018	(3,197)	3,994	(52)	745

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 €18,700,000 that are available indefinitely for offset against future taxable profits and €607,000,000 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.

25 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 €1,945,000 (2017: €929,000).

Contributions totalling €248,000 (2017: €354,000) 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 €462,000 (2017: €265,000). Contributions totalling €nil (2017: €36,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Belgium

The defined contribution schemes – Belgium 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 €18,000 (2017: €nil). Contributions totalling €nil (2017: €nil) 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 €420,000 (2017: €287,000). Contributions totalling €16,000 (2017: €nil) 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 €27,000 (2017: €32,000). Contributions totalling €8,000 (2017: €8,000) were payable to the fund at the year end and are included in creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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 €23,000 (2017: €4,000). Contributions totalling €nil (2017: €nil) were payable to the fund at the year end.

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 2018.

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

	2018 Per annum	2017 Per annum
Discount rate	2.6%	2.6%
Expected rate of inflation	3.1%	3.3%
Rate of increase of pensions in payment	3.0%	3.2%
Rate of increase for deferred pensioners	2.1%	2.3%

Demographic assumptions

	2018	2017
Mortality (pre-retirement)	AMC00/AFC00 S1PA (yob)	AMC00/AFC00 S1PA (yob)
Mortality (post retirement)	CMI 2015 M/F 1.25%	CMI 2015 M/F 1.25%

	2018		2017	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	22.1 years	23.9 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	23.5 years	25.4 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:

	2018 €000	2017 €000
Present value of funded obligations	(8,453)	(8,858)
Fair value of scheme assets	9,258	9,406
Year-end assets	805	548

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Interest charge on obligation (Note 6, 7)	(224)	(220)
Expected return on scheme assets (Note 6, 7)	239	244
	15	24

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

	2018 €000	2017 €000
Actuarial gains/(losses) on defined benefit obligation	203	(601)
Actual return on assets	43	220
	246	(381)

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 €3,304,000 (2017: €3,058,000).

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

	2018 €000	2017 €000
Opening defined benefits obligation	8,858	8,592
Interest cost	224	220
Foreign exchange movements	(78)	(357)
Actuarial losses	(203)	601
Benefits paid	(348)	(198)
Closing defined benefits obligation	8,453	8,858

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

	2018 €000	2017 €000
Opening fair value of scheme assets	9,406	9,553
Expected returns	239	244
Foreign exchange movements	(81)	(413)
Actual gain	43	220
Benefits paid	(349)	(198)
Closing fair value of scheme assets	9,258	9,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 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 2018 €000	Value at 30 June 2017 €000
Equity instruments	4,089	4,110
Gilts	2,765	2,934
Cash	2,404	2,362
	9,258	9,406

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

	2018 €000	2017 €000	2016 €000
Fair value of scheme assets	9,258	9,406	9,553
Present value of defined benefit obligations	8,453	8,858	8,592
Net surplus	805	548	961
Experience adjustments on scheme liabilities	–	–	76
Percentage of total scheme obligation	0%	0%	1%
Experience adjustments on scheme assets	43	220	1,187
Percentage of scheme assets	0.5%	2%	12%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2018. 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 2019 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

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

Defined benefits scheme – Norway

A subsidiary company operates a final salary defined benefit pension plan.

The most recent formal actuarial valuation was carried out as at 30 June 2018.

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

	2018 Per annum	2017 Per annum
Discount rate	2.4%	2.6%
Expected rate of inflation	2.4%	2.6%
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

	2018		2017	
	K2013BE		K2013BE	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.0 years	24.1 years	21.0 years	24.1 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:

	2018 €000	2017 €000
Present value of funded obligations	(2,896)	(3,123)
Fair value of scheme assets	3,012	3,340
Year-end assets	116	217

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

	2018 €000	2017 €000
Service cost (Note 5)	(9)	(44)
Interest charge on obligation (Note 6, 7)	(75)	(80)
Expected return on scheme assets (Note 6, 7)	76	77
	(8)	(47)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Actuarial gain on defined benefit obligation	(114)	48
Actual return on assets	(41)	47
	(155)	95

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 €(91,000) (2017: €64,000).

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

	2018 €000	2017 €000
Opening defined benefits obligation	3,123	3,392
Interest cost	75	80
Service cost	32	47
Foreign exchange movements	8	(60)
Actuarial loss/(gain)	114	(48)
Benefits paid	(165)	(151)
Past service cost – curtailment/plan amendment	(23)	(3)
Settlements	(260)	(122)
Employer contributions	(8)	(12)
Closing defined benefits obligation	2,896	3,123

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

	2018 €000	2017 €000
Opening fair value of scheme assets	3,340	3,352
Expected returns	76	77
Foreign exchange movements	8	(59)
Settlement and (gain)/loss on settlement	(260)	(10)
Return on assets	(41)	47
Contributions by employer	54	84
Benefits paid	(165)	(151)
Closing fair value of scheme assets	3,012	3,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Equity instruments	211	167
Bonds	2,350	2,638
Real Estate	331	367
Cash	120	168
	3,012	3,340

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

	2018 €000	2017 €000
Fair value of scheme assets	3,012	3,340
Present value of defined benefit obligations	2,896	3,123
Net gain/(deficit)	116	217
Experience adjustments on scheme liabilities	(92)	17
Percentage of total scheme obligation	(3)%	0.5%
Experience adjustments on scheme assets	8	80
Percentage of scheme assets	0.3%	2%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2018.

	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

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

Defined benefits scheme – Germany

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

Allianz Scheme:

The most recent formal actuarial valuation for the first plan "Allianz scene" was carried out as at 30 June 2018.

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

	2018 Per annum	2017 Per annum
Discount rate	1.72%	–
Expected rate of inflation	0.0%	–
Expected rate of salary increases	0.0%	–
Rate of increase of pensions in payment	1.5%	–
Rate of increase for deferred pensioners	0.0%	–

Demographic assumptions

	2018	2017
	RICHTTAFELN 2005 G Von Klaus Heubeck	
Mortality		–

	2018 Males	2018 Females	2017 Males	2017 Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	–	–
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	–	–

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

	2018 €000	2017 €000
Present value of funded obligations	(359)	–
Fair value of scheme assets	465	–
Year-end assets	106	–

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

	2018 €000	2017 €000
Service cost	–	–
Asset ceiling restriction (Note 7)	(18)	–
Interest charge on obligation (Note 7)	(7)	–
Expected return on scheme assets (Note 7)	22	–
	(3)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Actuarial gain on defined benefit obligation	-	-
Actual return on assets	-	-
	-	-

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 €nil (2017: €nil).

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

	2018 €000	2017 €000
Opening defined benefits obligation	-	-
Acquisition	394	-
Interest cost	7	-
Benefits paid	(42)	-
Closing defined benefits obligation	359	-

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

	2018 €000	2017 €000
Opening fair value of scheme assets	-	-
Acquisition	503	-
Expected returns	22	-
Asset ceiling restriction	(18)	-
Benefits paid	(42)	-
Closing fair value of scheme assets	465	-

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

	2018 €000	2017 €000
Bonds	465	-
	465	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Fair value of scheme assets	465	-
Present value of defined benefit obligations	359	-
Net gain	106	-

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2018.

	Change in assumption	Change in obligation
Sensitivity analysis		
Discount rate	+0.5%/-0.5%	+3.3%/-3.0%

Swiss Life Scheme:

The most recent formal actuarial valuation for the second final salary defined benefit pension plan "Swiss Life" was carried out as at 31 December 2017. The directors are satisfied there would be no material difference to a valuation carried out as at 30 June 2018.

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

	2018 Per annum	2017 Per annum
Discount rate	1.5%	-
Expected rate of inflation	0.0%	-
Expected rate of salary increases	0.0%	-
Rate of increase of pensions in payment	0.0%	-
Rate of increase for deferred pensioners	0.0%	-

Demographic assumptions

			2018	2017
			Heubeck 2005G	–
Mortality				
	Males	2018 Females	Males	2017 Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	–	–
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018 €000	2017 €000
Present value of funded obligations	(3,065)	–
Fair value of scheme assets	2,263	–
Year-end (obligations)	(802)	–

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

	2018 €000	2017 €000
Service cost	–	–
Interest charge on obligation (Note 7)	–	–
Expected return on scheme assets (Note 7)	–	–
	–	–

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

	2018 €000	2017 €000
Actuarial gain on defined benefit obligation	101	–
Actual return on assets	(43)	–
	58	–

Expected return on assets and interest on obligations are recorded under investment income.

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

	2018 €000	2017 €000
Opening defined benefits obligation	–	–
Acquisition	3,166	–
Actuarial gain	(101)	–
Benefits paid	–	–
Closing defined benefits obligation	3,065	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

25 Retirement benefits (continued)

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

	2018	2017
	€000	€000
Opening fair value of scheme assets	–	–
Acquisition	2,306	–
Actual losses	(43)	–
Benefits paid	–	–
Closing fair value of scheme assets	2,263	–

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

	Value at 30 June 2018	Value at 30 June 2017
	€000	€000
Bonds	2,263	–
	2,263	–

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

	2018	2017
	€000	€000
Fair value of scheme assets	2,263	–
Present value of defined benefit obligations	(3,065)	–
Net (deficit)	(802)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 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.

The Group factors trade receivable balances. The risk of trade receivable passes to the factoring company once the trade receivable invoice is with the factoring company. Factoring is at 5%. This decreases the Group bad debt risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 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:

	2018		2017	
	Total fair value	Carrying value	Total fair value	Carrying value
	€000	€000	€000	€000
Financial assets				
Trade and other receivables	102,133	102,133	124,323	124,323
Cash and cash equivalents	116,655	116,655	43,804	43,804
Long term receivables	461	461	434	434
Total financial assets	219,249	219,249	168,561	168,561

		2018		2017	
		Total fair value	Carrying value	Total fair value	Carrying value
		€000	€000	€000	€000
Financial liabilities					
Obligation under finance lease	Level 2	9,962	9,962	12,723	12,723
Borrowings	Level 2	184,538	184,538	116,608	116,608
Trade and other payables	Level 2	145,798	145,798	144,470	144,470
Financial instrument	Level 1	240	240	399	399
Deferred consideration	Level 2	4,219	4,219	5,588	5,588
Deferred consideration	Level 3	2,397	2,397	-	-
Deferred income	Level 2	4,856	4,856	5,720	5,720
Total financial liabilities		352,010	352,010	285,508	285,508

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.

Trade and other receivables and payables

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

Non derivative financial liabilities

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

At 30 June 2018 the discount rate used was 3.0 per cent (30 June 2017: 3.0 per cent).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 Financial risk management (continued)

Liquidity risk

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

		Due within one year €000	Due between 2 and 5 years €000	Due in more than 5 years €000	Total undiscounted cash flows €000	Impact of discounting and netting €000	Carrying amount €000
30 June 2018							
Non derivative financial liabilities							
Obligation under finance lease	Level 2	2,965	7,516	91	10,572	(610)	9,962
Borrowings	Level 2	32,373	12,359	139,806	184,538	–	184,538
Trade and other payables	Level 2	145,798	–	–	145,798	–	145,798
Financial instrument	Level 1	240	–	–	240	–	240
Deferred consideration	Level 2	1,953	2,266	–	4,219	–	4,219
Deferred consideration	Level 3	–	2,397	–	2,397	–	2,397
Deferred income	Level 2	3,698	1,158	–	4,856	–	4,856
		187,027	25,696	139,897	352,620	(610)	352,010

Sensitivity analysis

The significant unobservable input used in the fair value of measurement of deferred consideration payable is future incremental EBITDA. A significant decrease in EBITDA would result in a decrease in deferred consideration. At the Consolidated Statement of Financial Position date the Group has recorded a level of deferred consideration payable in accordance with agreed EBITDA targets.

		Due within one year €000	Due between 2 and 5 years €000	Due in more than 5 years €000	Total undiscounted cash flows €000	Impact of discounting and netting €000	Carrying amount €000
30 June 2017							
Non derivative financial liabilities							
Obligation under finance lease	Level 2	3,772	9,497	342	13,611	(888)	12,723
Borrowings	Level 2	26,311	37,930	52,367	116,608	–	116,608
Trade and other payables	Level 2	144,470	–	–	144,470	–	144,470
Financial instrument	Level 1	399	–	–	399	–	399
Deferred consideration	Level 2	3,469	2,119	–	5,588	–	5,588
Deferred consideration	Level 3	–	–	–	–	–	–
Deferred income	Level 2	4,565	1,155	–	5,720	–	5,720
		182,986	50,701	52,709	286,396	(888)	285,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 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	
	2018	2017	2018	2017
Currency				
Sterling	1.13	1.16	1.13	1.14
Swedish Krona	0.10	0.10	0.10	0.10
Norwegian Krone	0.10	0.11	0.11	0.11
Romanian Leu	0.22	0.22	0.21	0.22
Polish Zloty	0.24	0.23	0.23	0.24
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.65	0.69	0.64	0.67
US Dollar	0.84	0.92	0.86	0.89
China RMB	0.13	0.13	0.13	0.13

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2018 and 30 June 2017 would have had the following effect on profit on ordinary activities before tax:

	2018 €000	2017 €000
Sterling	(796)	(317)
Norwegian Krone	(7)	226
Swedish Krona	225	4
Polish Zloty	(86)	(64)
Czech Koruna	128	44
Romanian Leu	(140)	(86)
US Dollar	(3)	(26)
Australian Dollar	(1)	(9)
China RMB	–	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 Financial risk management (continued)

Interest rate risk

The Group carries a cash flow risk on 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

	2018 €000	2017 €000
Euro	90,030	28,342
Sterling	22,928	12,924
US Dollar	701	389
Romania Leu	1,241	47
Norwegian Krone	637	1,084
Swedish Krona	736	443
Polish Zloty	220	118
Czech Koruna	2	16
Australian Dollar	13	334
Canadian Dollar	37	1
China RMB	110	106
	116,655	43,804

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

	2018 €000	2017 €000
Euro bank borrowings	148,129	93,153
Sterling bank borrowings	9,997	9,999
US Dollar bank borrowings	466	-
Norwegian bank borrowings	2,266	2,387
Czech bank borrowings	1,389	983
	162,247	106,522

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

Interest rate sensitivity analysis

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

	2018 €000	2017 €000
100% movement in 3 month EURIBOR and LIBOR	257	175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 Financial risk management (continued)

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 €79,983,000 and the provisions adequate.

Ageing of overdue and partly impaired receivables

	2018 €000	2017 €000
Between 0 and 90 days	1,611	293
Between 91 and 120 days	298	227
Between 121 and 180 days	686	336
Over 181 days	2,660	1,977
	5,255	2,833

Movement in the allowance for doubtful debts

	2018 €000	2017 €000
Balance at beginning of period	1,933	1,944
Impairment provisions	988	845
Amounts written-off as uncollectible	(312)	(235)
Foreign exchange movements	(10)	(24)
Impairment provisions reversed	(68)	(597)
Balance at end of period	2,531	1,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

26 Financial risk management (continued)

Ageing of past due but not impaired receivables:

	2018 €000	2017 €000
Between 0 and 90 days	12,760	15,741
Between 91 and 120 days	709	812
Between 121 and 180 days	2,203	42
Over 181 days	620	221
	16,292	16,816

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

27 Share capital and reserves

Share capital

	No.	2018 €	No.	2017 €
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

27 Share capital and reserves (continued)

Reserves

Capital reserve

In April 2017, Paragon ID SA (formally known as ASK SA) acquired the Group's Identification Division. As a consequence of this transaction Paragon ID SA has now become a subsidiary of the Group. Share capital in a subsidiary of the Group was treated as consideration for the purchase. This resulted in the creation of the Groups capital reserve.

	2018 €000	2017 €000
Capital reserve	23,867	23,867

Capital redemption reserve

The capital redemption reserve arose on the repayment of share capital to shareholders of the Group during the year ended 30 June 2014.

	2018 €000	2017 €000
Capital redemption reserve	1,750	1,750

Cumulative translation reserve

The cumulative translation reserve includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in euro.

	2018 €000	2017 €000
Cumulative translation reserve	1,111	66

Retained earnings

	2018 €000	2017 €000
Retained earnings	34,343	26,115

28 Dividends paid

	2018 €000	2017 €000
Dividends declared and paid in the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

29 Capital and other commitments

	2018 €000	2017 €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	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Within one year	10,843	10,494	5,749	6,276	16,592	16,770
Between two and five years	29,446	23,807	9,322	11,243	38,768	35,050
After five years	6,080	13,449	189	27	6,269	13,476
	46,369	47,750	15,260	17,546	61,629	65,296

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.

29 Capital and other commitments (continued)

Operating lease commitments where the Group is lessor

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

	2018 €000	2017 €000
Not more than one year	558	558
After one year but not more than five years	140	279
	698	837

30 Contingent liabilities

In the directors' opinion there are no contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

31 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 65. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 113 to 115.

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:

	2018 €000	2017 €000
Sales	2,485	737
Purchases	2,819	697
Management fees income	132	155
Management fees expense	272	360
Finance income	1,263	206
Finance cost	8	5
Amounts due from non wholly owned subsidiaries	36,381	25,695
Amounts payable to non wholly owned subsidiaries	-	534

Sales and purchases in the current year are with Paragon Identification SAS, Bemrose Booth Paragon Limited, Service Point Belgium NV and Gresset Services SAS.

Sales in the prior year are with Paragon Identification SAS, Bemrose Booth Paragon Limited and Gresset Services SAS. Purchases in the prior year are with Gresset Services SAS.

Management fees include Gresset Services SAS in both years.

Management fees expenses include Service Point Solutions SA in both years.

Finance income in the current year includes Paragon ID SA, Paragon France SAS, Bemrose Booth Paragon limited and Service Point Solutions SA.

Finance income in the prior year includes Paragon ID 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 in the current year include the Paragon Identification SAS, Paragon ID SA, Paragon France SAS, Bemrose Booth Paragon Limited, Service Point Facilities Management Iberica SA, AmaTech Group Limited, ASK InTag LLC and Services Point Services SA.

Amounts due from non wholly owned subsidiaries in the prior year include the Paragon Identification SAS, Paragon ID SA, Paragon France SAS, Bemrose Booth Paragon Limited and Services Point Services SA.

Amounts owed in the prior year are with Gresset Services SAS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

31 Related party transactions (continued)

Joint ventures

Transactions and year-end balances with joint ventures were:

	2018 €000	2017 €000
Sales	1,063	518
Purchases	4	206
Amounts due from joint ventures	828	679
Amounts owed to joint ventures	2,037	2,231

Sales and purchases are with dsi Billing Services Limited.

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

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

Associates

Transactions and year-end balances with associates were:

	2018 €000	2017 €000
Sales	148	16
Purchases	–	17
Amounts due from associates	19	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:

	2018 €000	2017 €000
Interest received	26	62
Cash and cash equivalents	–	3,100
Amounts due from related parties	815	–

Cash in the prior year included an interest bearing cash deposit held with Next Week Limited, a company that shares a common director. Amounts due include a balance with Trenton Box Company Limited, a company that shares a common director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

31 Related party transactions (continued)

Key management personnel

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

	2018 €000	2017 €000
Interest payable to shareholder	2	15
Amounts payable to shareholder	185	252
Interest received from companies with common key management personnel	2	1
Amounts due from companies with common key management personnel	49	47
Amounts due to companies with common key management personnel	501	309

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 48. Key management personnel are considered to be the directors, their remuneration is not contained in this note as it has been disclosed within Note 5.

32 Events since the Consolidated Statement of Financial Position date

Subsequent to 30 June 2018, the Group continued its acquisition strategy. The acquisition in July 2018 of Imprimus Limited (formally Stralfors UK) enhances our transactional document management offering. In September 2018 the Group increased its investment in BeeBuzziness SAS to 14% of the entire issued share capital. In October 2018 the Group acquired the trade and certain assets of Prisme Solutions SAS in France. Also during October 2018, the Group acquired part of the trade and certain assets in France of Arvato France. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of Airweb SAS in France. In November 2018, the Group, having received approval from the German antitrust office, will complete the acquisition of the rcDDM Group in Germany. rcDDM Group is a perfect fit for our expansion strategy and will bring our annual revenues in Germany well above €160 million. In November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration. Predominantly located in the UK, there also operations in Hong Kong and New York.

33 Ultimate controlling party

The ultimate controlling party is Patrick James Crean.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

34 List of principal undertakings

Details of all investments in which the Group or the Company holds 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 plc	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 (U.K.) Limited	England	Ordinary	100%	(4)	Parent undertaking
Immobiliere Paragon France SAS	France	Ordinary	100%	(4)	Property holding
Paragon Marketing Solutions SAS	France	Ordinary	100%		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	80%	(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 Malmö AB	Sweden	Ordinary	100%	(5)	PGS
Njaljus AB	Sweden	Ordinary	100%	(9)	PGS
Allkopi Holding AS	Norway	Ordinary	100%	(5)	Parent undertaking
Allkopi AS	Norway	Ordinary	100%	(7)	PGS
KSB Groep BV	Netherlands	Ordinary	100%	(8)	PGS
Netprint Kristiansand AS	Norway	Ordinary	100%	(7)	PGS
Paragon Financial Investments Limited	England	Ordinary	100%		Parent undertaking
Paragon Nederland BV	Netherlands	Ordinary	100%	(3)	Dormant
Paragon Identification SRL	Romania	Ordinary	77.5%	(20)	PID
C&D Investments BV	Netherlands	Ordinary	100%	(3)	Dormant

continued...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

34 List of principal undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
FleQs BV	Netherlands	Ordinary	100%	(3)	PGS
Paragon Grenadier US Inc.	USA	Ordinary	100%	(3)	Parent undertaking
CBF Group plc	England	Ordinary	100%	(1)	Dormant
Paragon Solutions Group Inc.	USA	Ordinary	100%	(10)	PID
Paragon ID SA	France	Ordinary	77.5%	(3)	PID
ASK InTag LLC	USA	Ordinary	77.5%	(16)	PID
ASK Asia HK Limited	Hong Kong	Ordinary	77.5%	(16)	Parent undertaking
Beijing ASK Smart Technology Co Limited	China	Ordinary	77.5%	(23)	PID
Paragon Customer Communications Limited	England	Ordinary	100%	(3)	PCC
Paragon Customer Communications (Realty) 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 (Nottingham) Limited	England	Ordinary	100%	(26)	PCC
Paragon Applied Analytics Limited	England	Ordinary	100%	(26)	PCC
Paragon Customer Communications 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)	
Service Point Nordic AB	Sweden	Ordinary	81.3%	(12)	Parent undertaking
Service Point Belgium NV	Belgium	Ordinary	81.3%	(12)	PCC
Paragon MeillerGHP Holdings GmbH	Germany	Ordinary	100%	(3)	Parent undertaking
Paragon Customer Communications Schwandorf GmbH	Germany	Ordinary	100%	(13)	PCC
Paragon Customer Communications Czech Republic a.s.	Czech Republic	Ordinary	100%	(19)	PCC
Paragon Customer Communications Sp. z o.o	Poland	Ordinary	100%	(19)	PCC
MeillerGHP AB	Sweden	Ordinary	100%	(19)	PCC
Paragon Magnadata USA Inc.	USA	Ordinary	77.5%	(21)	PID
Paragon Identification Pty Limited	Australia	Ordinary	77.5%	(21)	PID
Burall Infosmart Limited	England	Ordinary	77.5%	(21)	PID
Burall InfoSys Limited	England	Ordinary	100%	(21)	Dormant
Brite IP Limited	England	Ordinary	100%	(22)	Dormant
Paragon Customer Communications (Finsbury Circus) Limited	England	Ordinary	100%	(24)	PCC
Paragon Customer Communications (Redruth) Limited	England	Ordinary	100%	(24)	PCC

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

34 List of principal undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Paragon Customer Communications Korschenbroich GmbH	Germany	Ordinary	100%	(19)	PCC
AmaTech Group Limited	Ireland	Ordinary	75.39%		
Feinics AmaTech Limited	Ireland	Ordinary	75.39%	(29)	PID
AmaTech Precision GmbH	Germany	Ordinary	75.39%	(29)	PID
AmaTech Inc.	USA	Ordinary	75.39%	(29)	PID
Paragon Customer Communications (Pilsen) s.r.o	Czech	Ordinary	100%	(18)	Property Holding
Global Document Systems Limited	England	Ordinary	100%	(1)	PGS
Immobiliere Grenadier France SAS	France	Ordinary	100%	(3)	Property Holding
Joint ventures					
Inlays India Private Limited	India	Ordinary	56.32%	(22)	Dormant
dsi Billing Services Limited	England	Ordinary	50%	(28)	PCC
Associates					
Response Handling Centre Limited	England	Ordinary	34%	(28)	PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(28)	PCC
Investments					
Intercopy AB	Sweden	Ordinary	7%	(9)	PGS
Output AG	Germany	Ordinary	6%	(30)	PCC
BeeBuzziness SA	France	Ordinary	3%	(3)	PCC

The Group also increased its existing shareholdings in Gresset Services SA from 60% to 80% and in NetPrint Kristiansand from 42% to 100%.

(1) Held via Paragon Group UK Limited

(2) Held via Paragon France SAS

(3) Held via Grenadier Holdings plc

(4) Held via Paragon Transaction SA

(5) Held via Paragon Transaction (U.K.) Limited

(6) Held via Paragon Transaction (U.K.) Limited and Paragon Group UK Limited

(7) Held via Allkopi Holding 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 Limited.

(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 Limited

(16) Held via Paragon ID SAS

(17) Held via D'Haussey Solutions International SAS

(18) Held via Paragon Customer Communications Czech Republic a.s.

(19) Held via MeillerGHP GmbH

(20) Held via Paragon Identification SAS

(21) Held via Bemrose Booth Paragon Limited

(22) Held via Burall 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

(29) Held via Amatech Group Limited

(30) Held via Paragon Customer Communications Korschenbroich GmbH

The financial statements of the above companies can be obtained from the Group's registered office:
Park House, 16-18 Finsbury Circus, London, EC2M 7EB, United Kingdom.

Parent Company
financial statements
30 June 2018

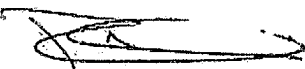
PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 €000	2017 €000
Fixed assets			
Investments	4	74,999	74,999
		74,999	74,999
Current assets			
Other receivables	5	49	47
		49	47
Current liabilities			
Other payables	6	2,978	2,933
		2,978	2,933
Net current liabilities		(2,929)	(2,886)
Net assets		72,070	72,113
Capital and reserves			
Share capital	8	30,000	30,000
Capital redemption reserve		1,750	1,750
Retained earnings		40,320	40,363
Total equity		72,070	72,113

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 €43,000 (2017: €5,000).

These financial statements were approved by the Board of Directors on 30 November 2018 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 2018

	Share capital €000	Capital redemption reserve €000	Retained earnings €000	Total equity €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

	Share capital €000	Capital redemption reserve €000	Retained earnings €000	Total equity €000
Balance as at 30 June 2017	30,000	1,750	40,363	72,113
Loss for the year	–	–	(43)	(43)
Balance at 30 June 2018	30,000	1,750	40,320	72,070

NOTES TO THE PARENT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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, Lower Group Floor, 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 adoption of the above and interpretations and amendments did not have a significant impact on the Group's consolidated financial statements.

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 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.

NOTES TO THE PARENT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

1 Accounting policies (continued)

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 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.

Investments

Investments are stated at historical 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 Statement of Financial Position 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 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.

NOTES TO THE PARENT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

1 Accounting policies (continued)

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 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.

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 €43,000 (2017: loss €50,000).

3 Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were €5,000 (2017: €5,000).

NOTES TO THE PARENT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 Investments held as fixed assets

	2018 €000	2017 €000
Cost:		
At 1 July	74,999	74,942
Additions	-	57
At 30 June	74,999	74,999

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

5 Other receivables

	2018 €000	2017 €000
Amount due from related undertaking	49	47

6 Other payables

	2018 €000	2017 €000
Amounts payable to Group companies	2,789	2,681
Amounts payable to shareholders	189	252
	2,978	2,933

7 Related party transactions

Transactions and year-end balances with related parties were:

	2018 €000	2017 €000
Interest payable to shareholder	2	2,681
Amounts payable to shareholder	189	252
Interest received from companies with common key management personnel	2	1
Amounts due from companies with common key management personnel	49	47

Companies with common key management personnel include Grenadier Management Limited.

Details of the directors are given on page 48. 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.

NOTES TO THE PARENT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

8 Called up share capital and share premium account

	No.	2018 €	No.	2017 €
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.

Editor-in-chief
Sean Shine

Sean Shine

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