Report and Financial Statements

Paragon Group Limited

30 June 2019

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Presentation of results and annual review
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We are focused on organic growth, and driving our shift towards digital...

Contents

Record Sales and Profitability

15 Businesses acquired

€838m Sales +24% growth

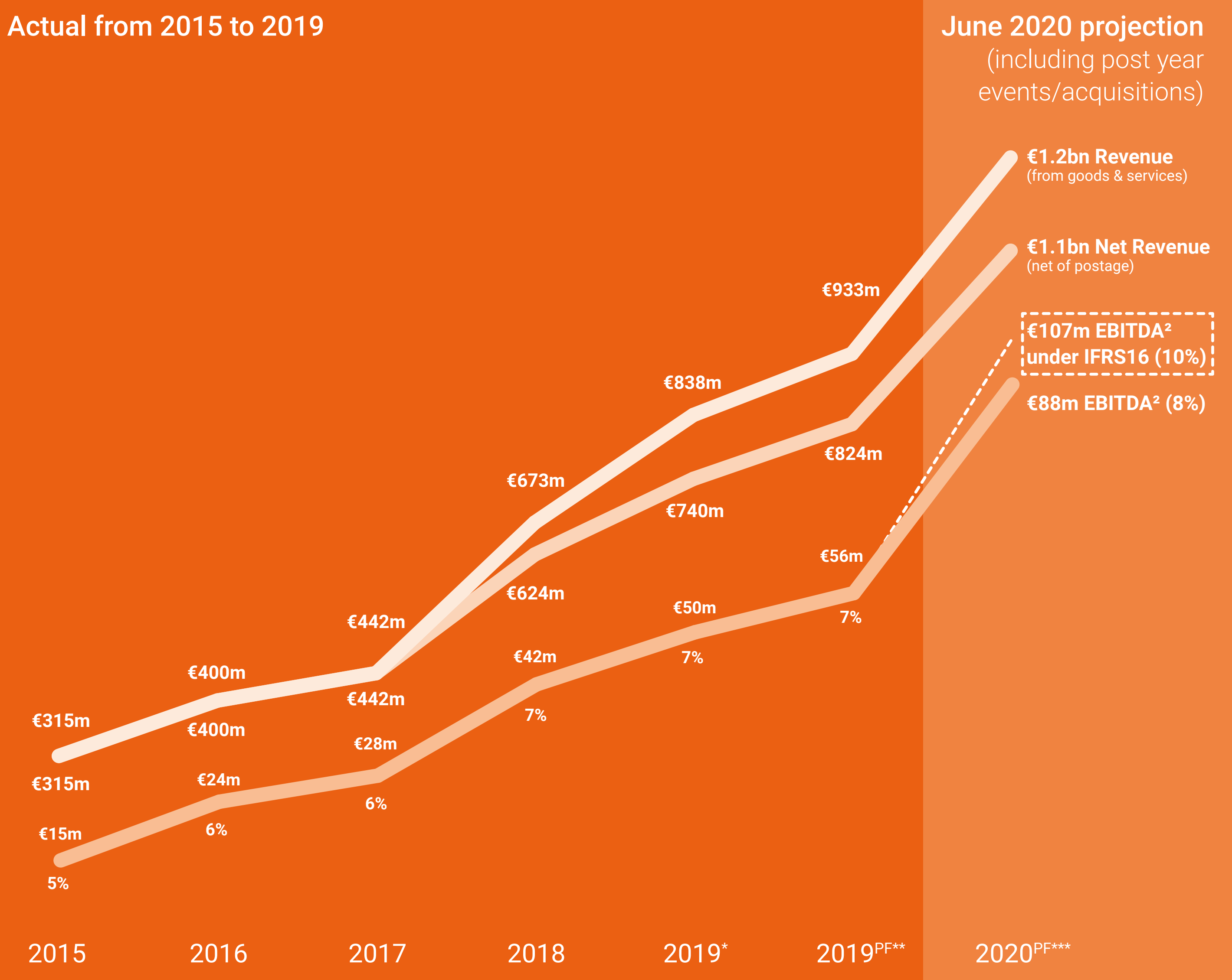
€50m Underlying EBITDA[2] +18% growth

€933m Proforma Sales[3] +39% growth

€56m Proforma EBITDA[3] +33% growth

1. EBITDA is defined in Note 2(q) on page 81.
2. Underlying EBITDA is defined in Note 2(r) on page 81.
3. Proforma sales and EBITDA is defined in Note 2(s) on page 81.

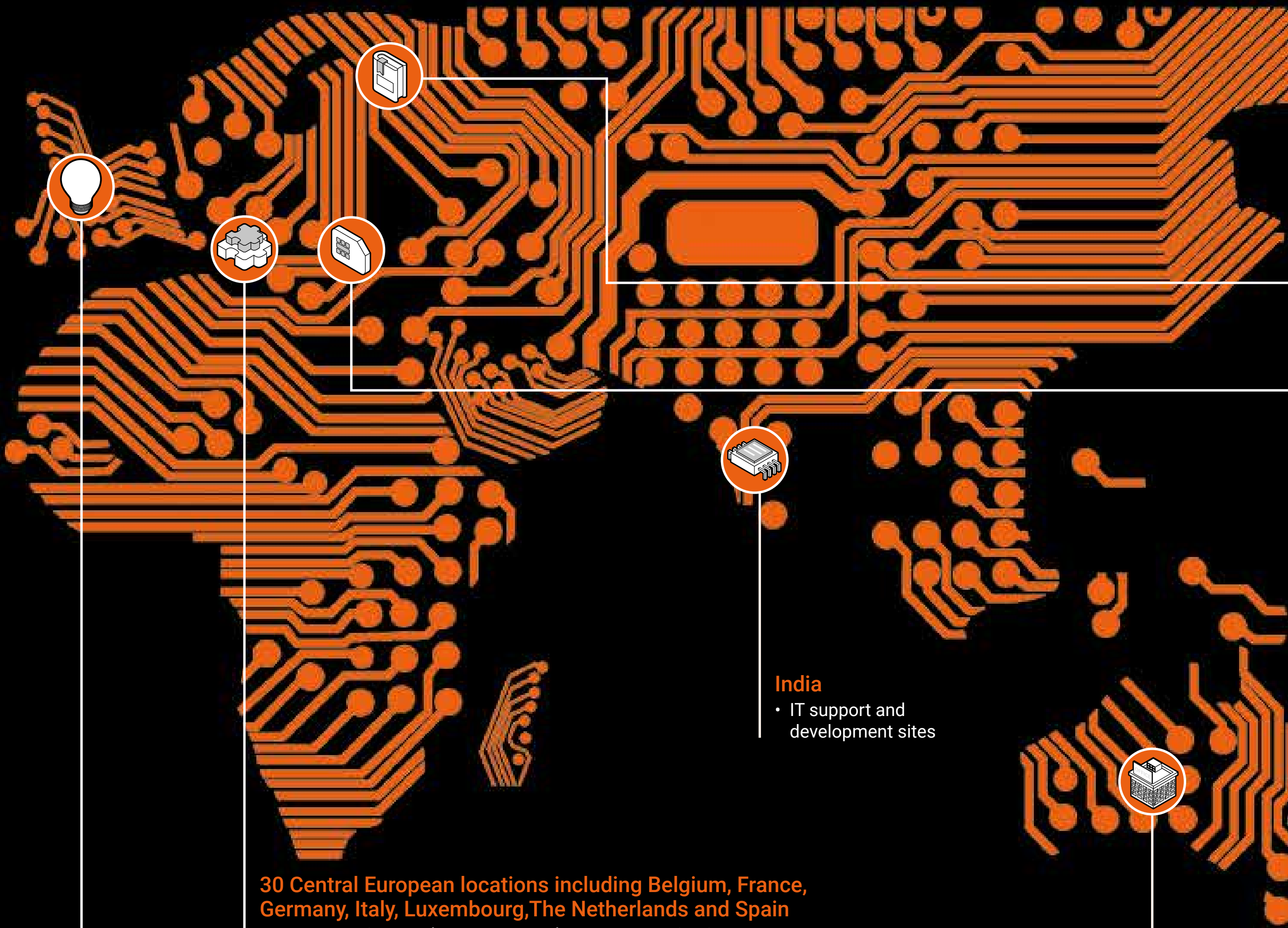
Paragon Group continues to deliver **strong growth** in line with our strategic objectives...



* Revenue 2019 is per actual figures reported in June 2019.
** Revenue 2019 includes the impact of acquisitions made pre-year end on a proforma basis.
*** Revenue 2020 includes the impact of the acquisitions made post-year end on a proforma basis and are to be seen as post balance sheet events additional information.
2. Underlying EBITDA is defined in Note 2(r) on page 81. This is expressed as a percentage of Net Revenue.

Paragon Group

Global and local



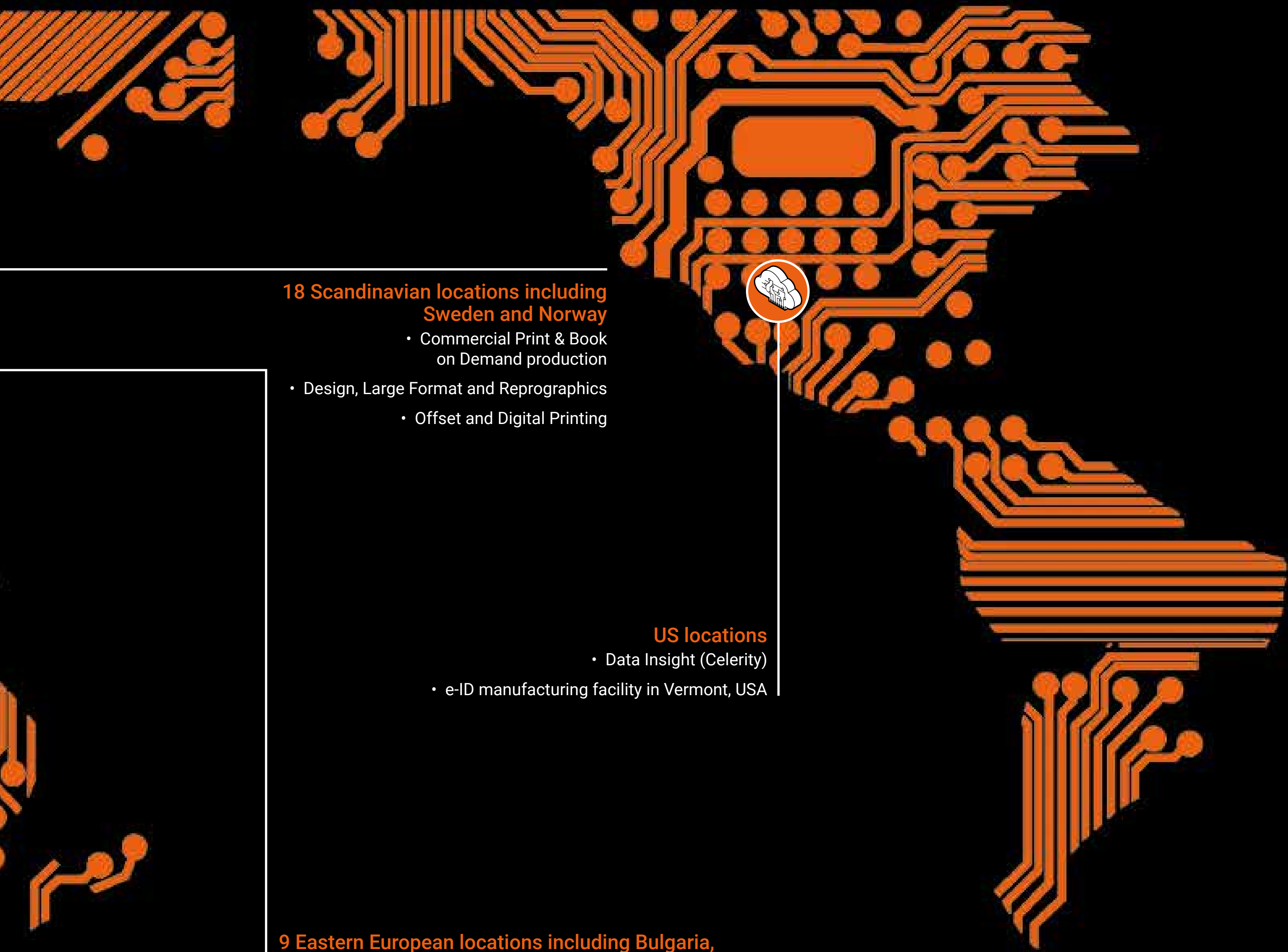
India
- IT support and development sites

30 Central European locations including Belgium, France, Germany, Italy, Luxembourg,The Netherlands and Spain
- BPO operations and Secure & Regulatory Communications
- Data Insight
- Development, Production, Logistics and Supply Chain
- Digital and Physical Transactional Documents
- Direct Marketing and Fulfilment
- Highly personalised Direct Marketing in small and large volumes
- Inbound Scanning and Processing Centre
- On-Demand Publishing and Retail
- RFID, Digital Print and Fulfilment
- RFID and Magnetic Ticket Production
- Software Development Centre

Australia
- Sales offices

65 locations across 3 divisions in UK & Ireland
- Application Software Development Centre
- Corporate Support Office, M&A, Finance and Operations
- Data Analysis and Customer Insight
- International Sales and Marketing
- PCC bases providing Marketing Direct Mail, Transaction Processing, Print Management and Creative
- PID Payment R&D Centre
- Print & Design and Large Format & Display
- Sophisticated Regulatory, Transactional and Marketing Production
- RFID and Magnetic Production

Paragon Group today does business around the globe, while maintaining its roots in European production and localised delivery of services.



18 Scandinavian locations including Sweden and Norway

- Commercial Print & Book on Demand production
- Design, Large Format and Reprographics
- Offset and Digital Printing

US locations

- Data Insight (Celerity)
- e-ID manufacturing facility in Vermont, USA

9 Eastern European locations including Bulgaria, Czech Republic, Poland , Romania and Ukraine

- Sophisticated production facilities
- App development in Bulgaria
- Czech Republic and Poland providing Direct Marketing and Fulfilment
- Romania, near shore production for RFID, Digital Print and Fulfilment
- Poland and Ukraine provide a Digital Service
- Poland BPO operations

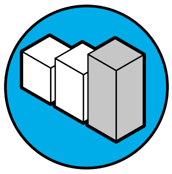
Our international team at year end was nearly 7,500 strong...

Paragon Group continues to deliver strong growth in line with our strategic objectives...

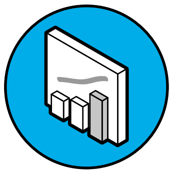
Statement from our CEO

Patrick Crean

I am pleased to report a year of strong growth in line with our strategic objectives. In the financial year ended 30 June 2019 Group revenue grew by 24% and our underlying EBITDA[2] grew by 18%. Both grew in line with our guidance in last year's report.

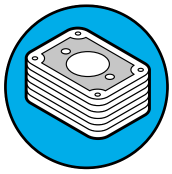


€933m in Proforma Sales[3]



€56m in Proforma EBITDA[3]

1.8x Net debt/ Proforma EBITDA[3]



€100m in Cash

Strong growth

The Group achieved strong revenue growth across all our sectors. Our strategy of being no 1 or 2 in our key sectors and geographies allied to our increasing capability is driving our sales success.

We feel confident in our ability to maintain our growth trajectory and to confirm to continue to deliver unparalleled service to our customers.

Acquisitions

During the year we successfully acquired 15 businesses through 10 acquisitions. These are now fully integrated within our 3 businesses (Customer Communications, Identification and Graphics). 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.

I am particularly pleased to announce the acquisition of RR Donnelley's European Global Document Solutions (GDS) business. GDS is at the right scale and will align with PCC business in 7 countries across Europe. I am delighted to welcome Mike Gordon (former President of RRD Global Services) as CEO of our Paragon Customer Communications (PCC) business. We are satisfied this acquisition will continue to drive our strategy within PCC. This acquisition is also accretive to our EBIDTA performance. In November, we also acquired Thames Card Technology.

Well positioned for the future

A core principle of Paragon Group is that we maintain strict financial and 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 200 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 has already enabled enhanced customer service.

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.

As a result of organic growth, and our most recent acquisitions, I now expect our revenue in a full year to be in excess of €1.1 billion. I am proud that we have achieved this milestone which is testament to our focus and commitment to our customers and our people.

...revenue in excess of **€1.1 billion...**

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Three successful businesses

Paragon Group goes to market through three distinctive and separate businesses: Paragon Customer Communications (PCC), Paragon ID (PID) and Paragon Graphic Services (PGS). This year we grew across all 3 businesses both organically and through acquisition.

Paragon Customer Communications

We continued to refine our market positioning in PCC – We now focus on 3 service lines:

- **Customer Engagement & Marketing** delivering an outstanding service for our customers across all channels and using the best data analytics and insight-driven approaches, allied to an outstanding delivery network.
- **Business Process and Transaction** – We are now one of the leading providers of core transaction processes in the customer communication sector. Our customers trust us with their core processes. We are at the forefront of delivery and continue to invest in the most efficient delivery that is GDPR compliant and responsive. We continue to build our core IT/Technology capability and we interface directly with our customers' processing systems.
- This year we have invested in the build-out of our **Digital Customer Experience** (DCX) capability – providing customers with the best website, app, and customer experience skills which augment our core Marketing and Transactional business. The addition of such organisations as ORM, Celerity, Despark and others is building out our DCX capability.

PCC has significant scale in the UK, France and Germany with further operations in Benelux, Southern Europe and Eastern Europe, as well 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

The Paragon ID business goes to market with four key offerings: e-ID is the provision of electronic passport covers, driving licences and ID cards; Smart Cities & Mass Transit includes smart cards, tickets and mobile device connectivity for mass transit applications; Track & Trace tracks high value goods through the supply chain; Payment includes secure payment cards and related technologies. We are particularly pleased with our progress in the Payment sector this year, as we see increased sales based on our Amatech acquisition. We also successfully completed the significant restructuring of our end to end supply chain and are now seeing the financial results of this. We are also building new software platforms in the ticketing transportation and RFID tracking space.

We are pleased to announce the recent acquisition of Thames Card Technology which will augment our payment business.

Our core values as a Group are Agility, Integrity and Partnership... incorporating our people and our exceptional clients

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.

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.

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, 3D printing and virtual reality.

This year we created a new business focusing on Large format and Display – We are now the largest provider of such product in the UK, where the sector is consolidating. Along with this we rebranded our Service Point UK business to become Service Graphics – We are now positioned for strong growth in this sector.

Continuing towards our strategic objectives

Delivering growth and profitability

In 2019, our sales grew by 24% to €838 million and underlying EBITDA[2] grew by 18% to €50 million. Paragon Group has achieved continued growth for more than a decade, and exceptional growth since 2014. Our three year Compound Annual Growth Rate is 28%. We are well funded, with cash on hand of €100 million and a low net debt to EBITDA[2] ratio of 1.8x. In a full year, we now expect our sales to be well in excess of €1.1 billion.

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. We are also investing in digital platforms in our ID and Graphics businesses.

Financial and operational discipline

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

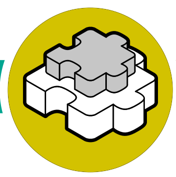
Our focus for the future remains on driving growth and improving profitability. The hard work in growing and structuring the business has given us a tremendous foundation for future success. We are engaged in many exciting opportunities for the coming year, and as we work closely together with our clients,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

I want to thank all our people, leadership and the Board for their unwavering commitment to delivering outstanding service to our customers.

Patrick J Crean
Chairman and Chief Executive Officer

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 areas of our clients' business.



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 people in the Paragon Group who work tirelessly to deliver exceptional service to our customers and help drive our Group forward.

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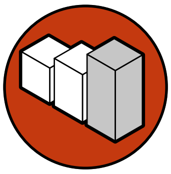
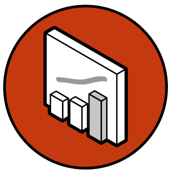
Statement from our CFO

Laurent Salmon

During the financial year ended 30 June 2019, Group sales reached €838 million, this is 24% ahead of prior year (2018: €673 million). Thanks to recent acquisitions, the Group's proforma sales will now reach €933 million, a 39% increase compared to June 2018.

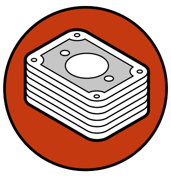


€838m in Sales



€50m in Underlying EBITDA[2]

1.8x Net debt/ Proforma EBITDA[3]



€100m in Cash

Key facts and numbers for 2019:

Cash in bank €100 million

Net Debt €101 million

Net Debt to Proforma EBITDA[1] multiple 1.8x

Cash invested in Acquisitions and Investments €32 million

Continuing our growth trajectory

Paragon Group continued to deliver on Group strategy by again achieving significant growth during the year. Sales have increased by €166 million, a 24% increase from 2018, resulting in consolidated sales of €838 million (2018: €673 million).

Underlying EBITDA[2] has reached €50 million, a 18% increase compared to the underlying EBITDA[2] reported in June 2018 (2018: €42 million). The underlying EBITDA[2] growth achieved in 2019 is €5 million above the Proforma EBITDA[2] reported in our 2018 financial statements (2018: €45 million).

We must flag that the implementation of the IFRS16 in 2020 will have an impact on our EBITDA and net debt reporting. Reported under IFRS16, our June 2019 EBITDA would have been increased by €19 million, bringing our Group consolidated EBITDA from €50 million up to €69 million and our proforma EBITDA from €56m up to €75m. As a consequence of IFRS16, our net debt would have also increased by €62m, bringing the total net debt of the Group from €101m up to €163m in June 2019. The net debt on proforma EBITDA ratio under IFRS16 would nonetheless remain very low at 2.2x, in comparison to our current reporting of 1.8x. The IFRS16 implementation will have no material impact on our retained profit of the year.

Due to the Group's continuous acquisition strategy, the directors of the Company consider underlying and proforma figures to be fundamental to the reader's 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 EBITDA and EBITDA[2] are stated after adjusting for items which are non-underlying due to their nature, size or incidence. The Group's strategy on market consolidation inevitably leads to the non-underlying items as summarised in Note 8 of the financial statements. This include a mix of one-off gains and charges that are of a non-recurring nature. Gains on bargain purchases have been accounted for on acquisitions in 2019 for €18 million (2018: €9 million), such gains naturally leading to costs of industrial consolidation with related redundancies and other associated costs for €18 million in 2019 (2018: €12 million).

The Group recorded a strong operating profit of €19 million (2018: €15 million). This was achieved despite a €7 million increase (+29%) in depreciation and amortisation charges. Depreciation and amortisation charges have increased to €31 million in 2019 (2018: €24 million), demonstrating the Group's continuing strategy to invest in the best and newest technologies.

Profit for the year was €11 million (2018: €7 million).

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.

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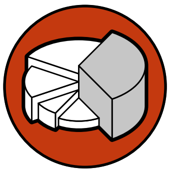
We believe in strict operational and financial discipline...



€933m
Proforma Sales[3]
+39% growth

Favourable debt and financing position

With €100 million of cash available on our Consolidated statement of financial position (2018: €117 million), the Group's prospects for acquisitions remain excellent, especially in light of an economic climate that is favourable to consolidation.

The Group issued €141 million of Euro Private Placement Bonds on the Luxemburg MTF market between 2016 and 2018. These bonds, repayable after 7 years (€89 million in December 2023 and €52 million in April 2025), currently carry a 4% interest rate. Bond raising was 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 1.8 times EBITDA, leaving significant headroom for further market consolidation. Our net debt position at the end of June 2019 consequently remained low at €101 million.

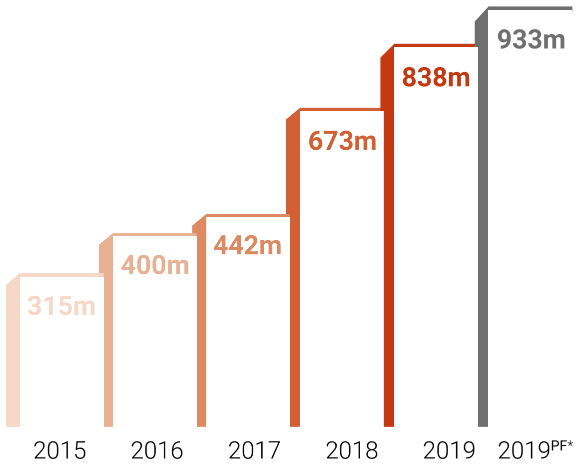
Pre and post Statement of financial position acquisitions

On 25 October 2019, the Group acquired RR Donnelley's European Global Document Solutions (GDS) business. GDS has locations in the UK, Ireland, France, Spain, Germany, the Netherlands, Poland and Italy and employs approximately 1,500 people with a turnover of €240 million in 2018. The acquisition of the RR Donnelley's Customer Communication activities in Europe also enabled Paragon Group to enter into a strategic alliance with RRD, offering RRD's global customers the largest solution and service platform in Europe. This deal has been considered as a significant post balance sheet event due to its size and commercial importance, both to the group and the readers of the annual financial statements.

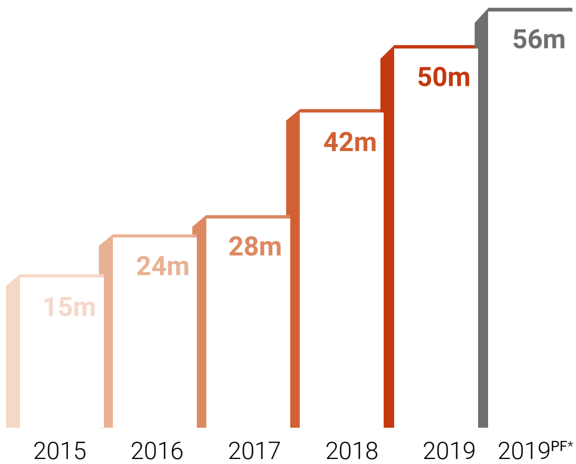
On 31 October 2019, the Group also acquired Thames Card Technology via Paragon ID. Thames Card Technology has a turnover of €17 million and operates within the smart card market sector. Paragon ID is expected to expand within the retail and banking market sectors, capitalising on its RFID expertise.

During the financial year 2018/2019, the Group also acquired 15 businesses through 10 acquisitions representing a total turnover of approx. €188 million. The proforma figures indicated in these financial statements reflect the impact of these acquisitions on a full 12 months basis but exclude the impact of the above-mentioned post balance sheet acquisitions of GDS and Thames Card Technology.

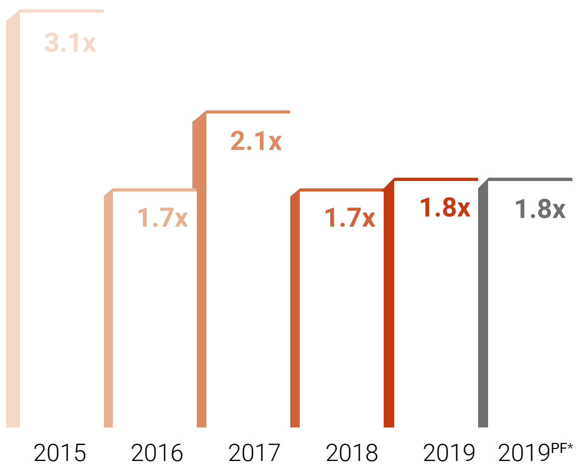
Sales – €838 million



Underlying EBITDA – €50 million**



Net debt/EBITDA multiple – 1.8x**



* Proforma figures for 2019.
** Net Debt at the end of June 2019 divided by the Proforma EBITDA 2019 as per the Financial Covenants calculation to the bond holders.

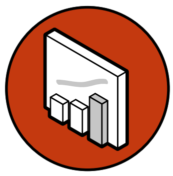
Underlying income statement trend

for the year ended 30 June 2019

	2015 €000	2016 €000	2017 €000	2018 €000	2019 €000
Revenue from sale of goods and services	**315,337**	**400,439**	**442,187**	**673,095**	**837,875**
Operating costs	299,956	376,141	414,467	630,825	787,864
EBITDA[2]	**15,381**	**24,298**	**27,720**	**42,270**	**50,011**
Depreciation and amortisation	10,686	12,225	12,748	23,878	30,844
EBIT[2]	**4,695**	**12,073**	**14,972**	**18,392**	**19,167**
Net finance costs, share of equity investments, dividends and gain/(loss) on disposals	1,982	3,097	4,455	6,180	10,079
Income tax charge (credit)	468	(1,397)	1,525	1,249	(1,274)
Profit for the year from continuing operations	**2,245**	**10,373**	**8,992**	**10,963**	**10,362**
Bridging to the Statutory profit for the year:					
Profit for the year from continuing operations	**2,245**	**10,373**	**8,992**	**10,963**	**10,362**
Losses on discontinued operations	–	–	–	(2,371)	(215)
Non-underlying items net of tax	4,797	(3,626)	3,184	(1,226)	1,187
Profit for the year	**7,042**	**6,747**	**12,176**	**7,366**	**11,334**

The key acquisitions completed as of June 2019, consisted of the acquisition of document and data management businesses from rcDDM in Germany, with a turnover of €53 million; the acquisition in France of the document and marketing solutions business of Arvato Services, with a turnover of €29 million, the acquisition in the UK of the trade and assets of Howard Hunt Group, with a turnover of €28 million, along with the acquisitions of many smaller additional businesses such as Merico, Prisme Solutions, Harland Simon assets, Paperhat Communications, Magenta and Service Graphics, with a combined turnover of approx. €78 million.

Laurent T Salmon
Chief Financial Officer



€56m Proforma EBITDA[3] +33% growth

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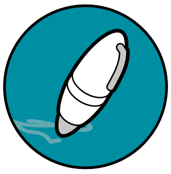
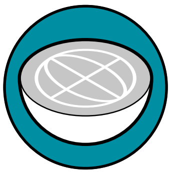
Paragon Group business review

Seán Shine



15 Businesses acquired



70+ Countries

7,500+ Employees

During the year we continued to build strength and depth in each of our three businesses.

Three strong businesses

Paragon Customer Communications (PCC)

PCC had an outstanding year – growing at over 25% to achieve revenue of €635 million and proforma revenues of over €850 million. We are building a business of scale – focused on delivering end-to-end Customer Engagement & Marketing and Transactional & Business Process Outsourcing (BPO) underpinned by a strong Digital Customer Experience (DCX) platform. We are winning in the marketplace and continuing to build out the most modern and efficient delivery platform in our primary markets. Our focus on DCX is driving new wins and enhancing our end-to-end positioning in the market.

Paragon ID (PID)

PID welcomed Clem Garvey as CEO and Konstantinos Lagios as Chief Commercial Officer, completed the rationalisation of its global design, manufacturing and supply chain and made several key acquisitions to build out capability. Focusing on four primary segments – eID, Smart Cities, Track & Trace and Payment – our PID leadership team is now focused on driving significant growth and we are pleased with this year's progress in our Payments segment, powered by our AmaTech acquisition.

Paragon Graphic Services (PGS)

PGS continued to build its footprint. Our Service Point UK business rebranded to Service Graphics Print & Design. Service Graphics is also the leading large format display and point of sale business in the UK. Overall our graphics business is making satisfactory progress across all fronts and we are investing significantly in IT systems to support sales, design and our core finance and administration support.

Acquired fifteen complementary businesses

During the year, we acquired and integrated 15 businesses through 10 acquisitions– each of them adding to our capability and building on our Buy, Build & Grow strategy to grow both organically and by acquisition. See more in the "Driving our Growth" section.

PCC focused on building DCX capability through the acquisitions of rcDDM, ORM, Celerity and Despark, while the acquisition of Imprimus augmented our significant Quadient capability and brings outstanding customer contracts and production facilities. In France, the Arcania acquisition has given us sophisticated supply chain and co-packing facilities.

We also announced as a post balance sheet event the acquisition of RRD's European business. This is described in the PCC section.

PID acquired Airweb to form the basis of our new virtual ticketing and journey management platform, with RFID Discovery driving our sophisticated RFID (radio frequency identification) tracking platform.

PGS acquired Magenta, the in-house large format and point of sale production centre for Debenhams, in addition to the assets of Service Graphics UK. These have been integrated to create the largest display and point of sale company in the UK.

Expanding our capability

We continued to build our strategic delivery capability during this year. In addition to the strategic acquisitions highlighted above, we also continue to invest in our core platforms, including design, production management, Enterprise/Manufacturing Resource Planning (ERP/MRP) systems and IT infrastructure. See more in the "Technology" section.

Improving our efficiency

We continued our programme of plant consolidation, driven by significant investment in automation and new technology. Across our three businesses, we are proud of our design and production infrastructure and are very well invested. We will continue our programme of rolling consolidation allied to investment in automation across the Group.

Working with our customers

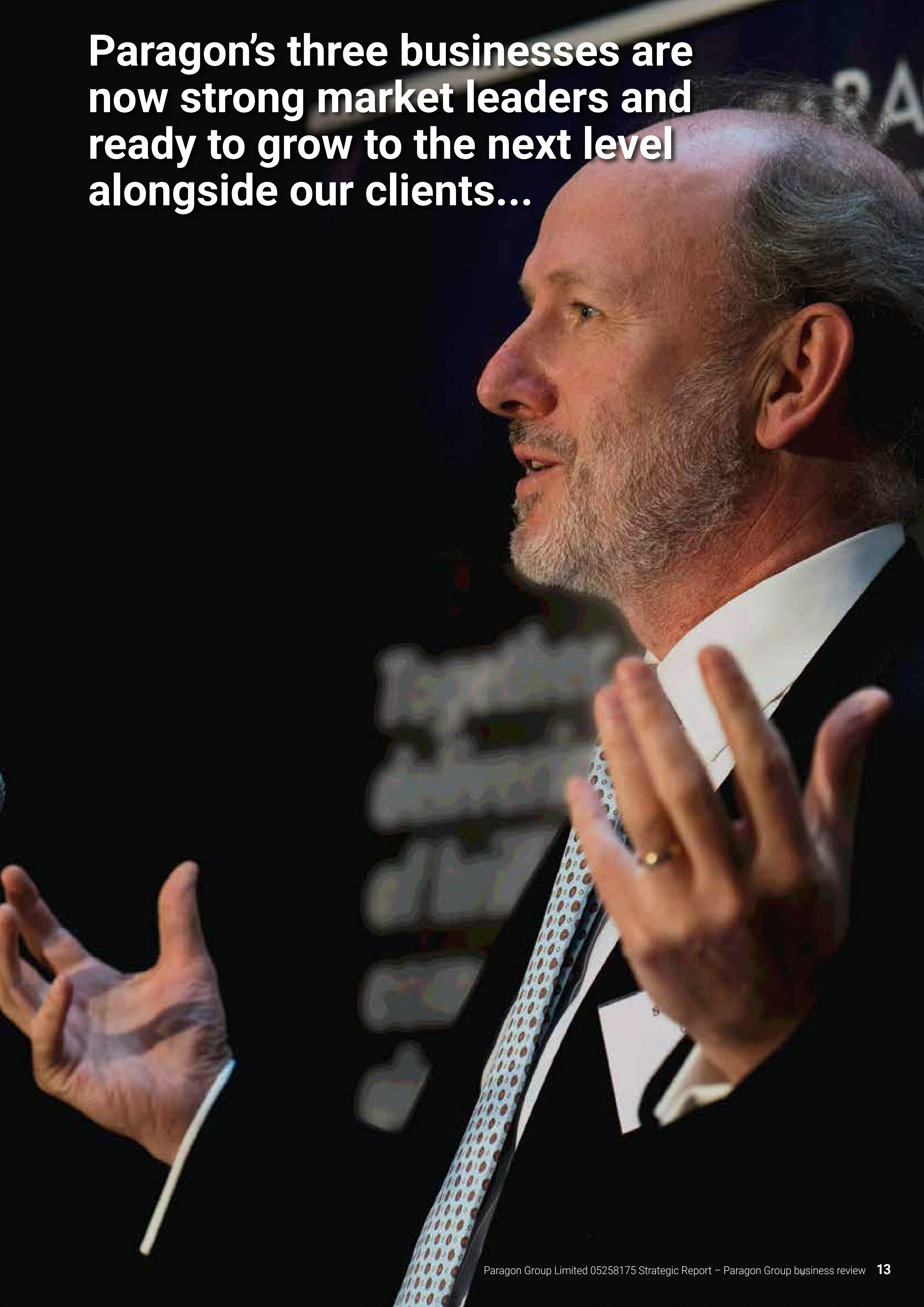
At Paragon, we are relentlessly customer focused and proud to boast a more than 15-year average relationship across our top 200 customers within the Group. Every day, our people focus on delivering on behalf of our customers, a commitment that has helped us win additional work with existing customers as well as many significant new contracts this year. We are both privileged and proud to serve our customers.

The best people

I want to thank our 7,500+ people who work with Paragon today for their outstanding hard work and commitment.

Seán Shine
Chief Operating Officer

Paragon's three businesses are now strong market leaders and ready to grow to the next level alongside our clients...



The year at a glance

July 2018
Clem Garvey appointed CEO for PID and John Eager appointed CEO of PGS.

August 2018
PCC Germany closed the acquisition of rcDDM GmbH with production sites in Weingarten (Bodensee) and Magedeburg (East Germany).

September 2018
Konstantinos Lagios appointed Chief Commercial Officer for PID.

January 2019
PID partners with Wizway Solutions.

March 2019
PCC Germany rebranded the Weingarten site.

March/April 2019
Olivier Doye appointed CFO PID and Barry Crich joined PGS to lead Print Trade Suppliers and Global Document Systems.

May 2019
PCC France's positioning was also further enhanced, with the acquisition of a former production unit of the Crédit Agricole group, Merico.

May 2019
PID announces first significant contracts in payment activity.

October 2018
Official launch of the inlay for metal card.

October 2018
Extension of the strategic partnership between PID and Biolog ID for the management and traceability of health products.

November 2018
Paragon ID acquired the assets and IP rights of RFID discovery.

November 2018
Martin Hutchings joined Paragon as Managing Director of Service Graphics Display.

November 2018
PID took a unique and world-leading position in mobile ticketing applications with strategic investment in airweb.

May 2019
Benchmark was achieved, 100 million ePassports issued by 24 countries carrying PID patented technology.

June 2019
PID and Ingenico announced their partnership to combine the best of transport ticketing and payment functionalities in card readers.

Subsequent events

July 2019
PID – Business Win Air France – 3 year (+2 year option) contract for the supply of Air France's RFID luggage tags – 40 million tags per year.

Service Graphics Rebrand.

PID becomes an IATA strategic partner and joins the RFID working group.

Continuation of double digit growth in Q4.

September 2019
Quebec City's public transport network chooses PID for the development of its mobile ticketing solution.

PID appointed Enu Waktola to spearhead our Business Development in North America.

October 2019
Acquisition of RRD GDS and Thames Card Technologies.

November 2019
Mike Holyoake appointed MD of Service Graphics Print & Design.

Mike Gordon appointed CEO of PCC.

Paragon Customer Communications

Mike Gordon,
CEO PCC

A global leader...

Paragon Customer Communications (PCC) continues to grow in line with our strategy – achieving sales of over €635 million, representing growth of over 25% on the previous fiscal year, with proforma sales in excess of €850 million. PCC is on track to become a billion-euro business in the next two years.

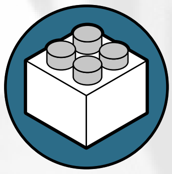
PCC provides end-to-end customer communications services, going to market through three key service lines: Customer Engagement & Marketing, Transaction & BPO Services and Digital Customer Experience (DCX). These services are built on a strong base of digital technology and the best use of customer data, in line with our aim to provide brilliant customer communications to our customers, helping them connect with their customers and transform their operations.

The right geographic markets

Our strategy is to build market share in key regions and be the leaders in our target markets, with a primary focus on the UK, France, Germany and Benelux and nearshore BPO, service and manufacturing centres in Poland, Czech and Romania. We gained our operating licence in 2019 to deliver secure and regulatory communications services in Luxembourg and look forward to growing this business.

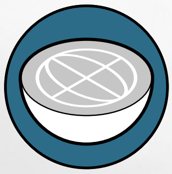
We also deliver cross-border services to our global customers through our PCC International unit and have created a significant Lead Supply and Print Management business with growing revenues in excess of €100 million.

Building our capability



During the year, PCC acquired significant capabilities through acquisitions including:

- rcDDM in Germany – a recognised leader in customer communications, with deep data archiving and data management capabilities
- ORM, Celerity and Despark in the UK, Spain, US, Bulgaria, Poland and Ukraine – building our DCX capabilities
- Arcania in France – bringing specialised logistics fulfilment and co-packing capabilities



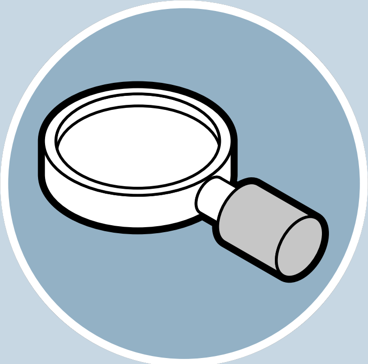
Our ongoing acquisition strategy is to acquire market share and key customers in our target geographical markets and to continuously build and augment our technology capabilities.

In addition to acquisitions, we have also invested heavily to develop our own technology capabilities, with significant progress in our Quadient delivery services and our core PEP platform, which provides single sign-on access to our services portfolio for some 1.5 million users across thousands of organisations and has expanded its language, currency and user functionality to meet the demand.

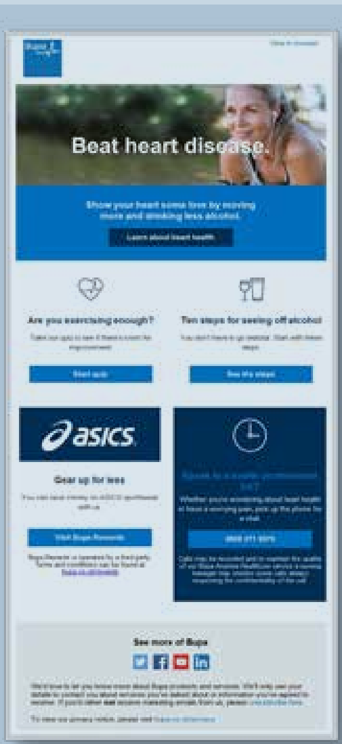
These enhanced capabilities have been demonstrated with ground-breaking and transformational customer projects for a broad range of leading customers, such as IKEA and Vodafone in Germany, EDF Energy and Virgin Media in the UK and Nespresso worldwide.

Scale, efficiency and range of service

We are focused on growing scale in our target markets, allowing us to deliver a full end-to-end range of services to our customers. During the year, we made significant capital investments in all our geographies to enable us to offer the best services at the right price. We also continue to consolidate our delivery footprint and create a series of highly efficient delivery centres in each of our markets.



Paragon's Lead Supply solution



Our Lead Supply solution sits at the heart of everything PCC does, consolidating our customers' multi-disciplinary, multi-channel, multi-site requirements across all functions and regions into one controlled delivery model.

Lead Supply is seeing ever-greater demand and successfully driving strategic partnerships with key customers such as Virgin Media, Royal Bank of Scotland, Boots PLC, Kellogg's, News UK, Cancer Research UK, Screwfix and BUPA Healthcare.

Steve Berney,
PCC Business Development Director

Our growing international reach

Our mission is to be the partner of choice to all our global customers and this has been a year of significant growth in international customers for Paragon.

We have kept pace with the emerging mega-trend for our customers to seek consolidation of their global marketing requirements, with a single partner across all geographies to deliver increased visibility and control, simplification and standardisation of processes, reduced cost, GDPR (General Data Protection Regulation (EU) 2016) compliance and risk reduction, a single view of the customer and a common customer experience. This central control with local delivery is seen as an essential first step towards delivering a digital transformation strategy in communications.

We are committed to going wherever our customers need us and now provide integrated services across 70 countries (soon to be 120, following recent wins) via a blend of 200+ Paragon facilities and our global best-in-class supply partners. Our PEP platform is an important differentiator and enabler for this international and transformational service.

We recognise that international outsourcing is often first generation for our customers and they therefore face the challenges of multiple and legacy systems, differing cultures and business maturity and competing IT priorities across countries. This requires that we do the "heavy lifting" to implement change and to support this we have recruited dedicated global delivery, business analyst, project management and technical integration specialists within PCC International.

Building our leadership team

Over the past two years, we have appointed senior leaders in all markets. We will continue to grow and add the best people to deliver outstanding service to our customers. In addition to building our country-based teams, we have also started to build out the PCC global leadership team. This will enable our continued fast pace of growth.

Looking to FY20 and beyond

Despite competitive market conditions, our unique positioning and capabilities in the market will continue to drive our success. We are seeing strong demand in the customer communications market and will continue to grow through a mix of organic and acquisition-based growth.

Acquisition:
RRD Europe

In October this year we announced the acquisition of RRD's European Global Document Solutions (GDS) business, headquartered in the UK. The GDS business includes RRD UK, Critical Mail Continuity Services (CMCS) and Devonshire Appointments.

GDS has locations in the UK, Ireland, France, Spain, Germany, the Netherlands, Poland and Italy and employs approximately 1,500 people. GDS' net sales were approximately €240 million in 2018.

RRD's heritage of providing innovative and transformational customer communication and business services to leading brands across multiple sectors including Telecoms, Financial Services, Insurance, Retail, Utilities, Investment Banking and Professional Services will enrich the services already offered by Paragon, enabling us to strengthen our ability to deliver the future of brilliant customer and business communications across Europe.

Strategically located operations provide local service and responsiveness while leveraging the economic, geographic and technological advantages of a global organisation.

GDS's services encompass client-centric outbound and inbound communication solutions and the provision of white glove onsite business services.

Outbound Communication Solutions:

- **Creative & Content Services** – award-winning creative design, pre-media
- **Marketing Communications** – a unique blend of multi-channel campaign management and innovative direct marketing consultancy and print management services
- **Transactional Communications** – information design, composition, transpromo, production, postal optimisation and delivery solutions

Inbound Communication Solutions:

- **Correspondence Handling** – delivered through an intelligent blend of onshore and offshore resources
- **Response Handling** – capabilities that allows clients to close the communications loop and manage the entire lifecycle of marketing and operational communication activity.

Business Service Solutions

- **Content & Presentation Services** – a tiered approach to delivering impactful, bespoke sales materials and strategies to make clients sales content more effective
- **Research Services** – providing bespoke research in the areas of business information, strategic market research and financial analytics
- **Office Communications** – managed by a flexible business services platform that optimises an organisation's enterprise-wide document production, fleet and print management
- **Information Management and Analytics** – to support their clients to manage and analyse a wide range of customer and operational data – turning it into a source of insight and value.

This acquisition is our largest acquisition to date and accelerates our mission to be the partner of choice to our growing portfolio of global customers.

GDS's multi-channel capabilities across consumer, business and employee engagement means that, together, we remain at the forefront of technological innovations and meet our client's expectations now and in the future.

Mike Gordon, CEO PCC

PCC Germany's main goal is to drive brilliant customer communications for our customers with a strategy based on three pillars: Marketing Services, Transactional & Regulatory Document Management and Communications...

Thomas Simon,
CEO PCC Germany

Leadership

PCC Germany made a series of leadership apointments. Bernd Wein (Dialogue Marketing) and Jörg Nürnberger (Transactional Print) took responsibility for Operations. Ludwig Scherer as Commercial Director brings many years of experience to support our Dialogue Marketing business, while Michael Pauen as Technology Director and Heiko Raasch as IT Infrastructure Director are driving our fast-developing IT competences. Isabel von Günther was appointed as HR Director and is now responsible for all related topics, and Andreas Keck brings drive and direction as Director of Transactional Sales.

Digitisation

Digital is quickly becoming the main focus of customer communications in Germany. We provide our customers with state of the art Inbound / BPO and Transactional capabilities, such as eBilling, messaging services and artificial intelligence and robotic processes. In addition, we have strengthened our dialogue marketing business with data mining and enrichment services, using intelligent platforms to support one-to-one communication and increase the response rates of our customers' campaigns.

Best-in-Class production equipment

PCC Germany made further investments to our production capability during 2019, supplementing our leading technical equipment and process know-how to deliver major advantages to our customers, including greater production flexibility and choice, shorter lead times through huge capacities and best practice experiences through innovative printing and processing technology.

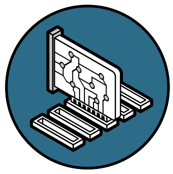
Postage optimisation and business continuity

The German market is still dominated by physical communications and postage remains the largest part of communication costs. Our differentiator in this area is our "four-site strategy", using production plants spread across Germany to offer up to 70% household coverage through alternative post providers, delivering significant postage savings for our customers. This strategy also provides a unique business continuity proposition, with warm back-up scenarios combining all four sites, and lower CO_2 emissions through shorter logistics routes.

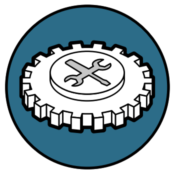
Transactional & business process optimisation

In August 2018, we strengthened our transactional and digital capabilities with the acquisition of rcDDM GmbH. Bringing more than €34 million in sales and 150 people into the business, PCC is now the leading transactional service provider in Germany, with a powerful archiving business and stronger digitisation offering.

The integration of rcDDM's Weingarten (Bodensee) and Magdeburg (East Germany) sites alongside our Schwandorf and Korschenbroich facilities enabled our unique "four-site strategy", outlined above.



Our digital capabilities are also significant. We are helping our customers' actively migrate to digital channels to enable optimised processes, and host more than 23 billion archived documents with secure online access. For Vodafone, PCC Germany is delivering the activation process and digital output to move 50% of a key B2B customer segment from letters to secure digital delivery, achieving postage savings and enhanced processes while using innovative techniques to maintain high customer loyalty.



Our operating strategy is convincing our customers. In 2018, a number of major new accounts were acquired, including MHPlus (Health Insurance), AOK Sachsen (Health Insurance), KKH Insurance (Health Insurance), SVLFG Insurance and Deutsche Ärzte und Apothekerbank (apoBank), showing our strong positioning in the German market. Significant contract extensions were also signed with existing customers, such as the invoice dispatch for Deutsche Telekom for a further seven years.

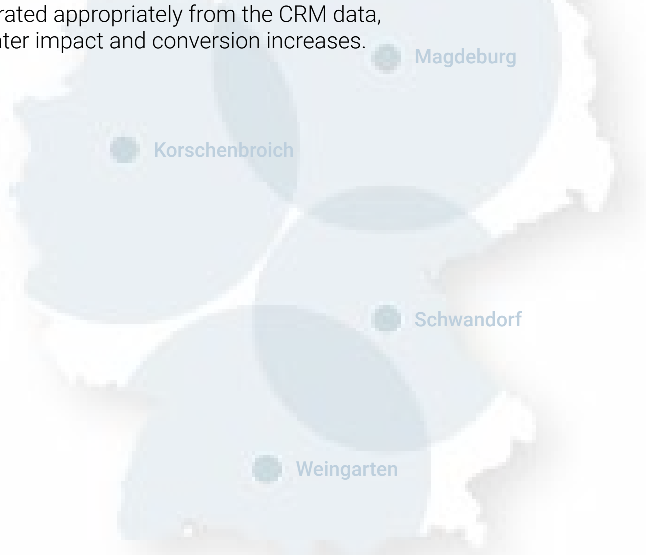
Our incoming mail processing business was expanded with a contract to supply apoBank, comprising the processing of 1.5 million documents (approximately 9 million scanned pages) in addition to delivering document output.

Customer experience and marketing

PCC Germany is equipped with exceptional production resources for creative mail, with locations in Schwandorf (DE) and Nýřany (CZ) producing approximately one billion direct mail products every year.

Significant contracts have been secured for the long term, such as providing monthly points overview updates for the Payback loyalty program.

In keeping with our company dedication to innovation, lighthouse marketing projects are being implemented in a targeted manner, with constant investment in solutions enabling intelligent one-to-one marketing and a future in which data-driven mail production will play a major role. We have implemented such an application for IKEA, developing a customer loyalty programme to deliver communications on specific occasions – from post-purchase offers to congratulations for a customer's first year of membership. Each recipient receives a highly individualised mailing in which the image and words are generated appropriately from the CRM data, resulting in greater impact and conversion increases.



PCC Luxembourg

Lorna Glynn

Managing Director PCC Luxembourg

Lorna Glynn, Client Experience Director in the UK, is also heading up the Luxembourg operations as Managing Director.

After receiving our operating licence in October 2019, we officially launched PCC Luxembourg, our latest operation and first fully regulated business. This international capability boosts our strategy to offer an enhanced customer experience across key jurisdictions by providing genuine in-country, in-house, end-to-end production and local 24/7 support.

PCC Luxembourg will ensure we provide customers with a consistent approach and service across borders, underpinned by the same stringent, customer-focused processes that support the development of our ongoing relationships. This expansion and its added capabilities will generate major new commercial opportunities for our financial services customers, which makes this a very exciting time for our business.

Ton Kalter,
GM PCC the Netherlands and Belgium

PCC in the Netherlands and Belgium

PCC in the Netherlands and Belgium has continued its ambition to bring BPO and Inbound Technology expertise to international maturity, delivering enhanced, customer-driven inbound solutions in our target markets across Europe. Working in close collaboration with Group IT, we used both proven technology and pioneering new techniques to continuously comply with changing market standards, such as local data repository demands, and to anticipate the increasing need to offer standardised customer experiences alongside international customer dynamics.

Our teams in the Netherlands and Belgium are constantly developing and implementing technology-driven solutions for traditional services, including transformation from physical to digital output and unlocking time and cost efficiencies for our customers. We have also successfully developed niche technology solutions for specific customer demands, across both outbound and inbound, creating best-practice vehicles for further growth in specific markets such as the car lease industry and the education sector.

Paragon has expanded its footprint in the Benelux geography with the recent opening of our new facility in Luxembourg, enhancing our regulated communication production offering to the international financial sector and bringing exciting new opportunities to local and international markets in our continuous search for growth.

PCC Netherlands and Belgium

Customer case studies:

The International Card Services (ICS) and ALD Automotive case studies below are excellent examples of how Paragon Customer Communications strive to meet clients requirements.

International Card Services (ICS)

500,000 credit card application forms digitised for credit payment service provider

ICS is the market leader in the Netherlands, issuing over three million credit cards and having managed the supply and service of Mastercard and Visa cards for both individuals and businesses for more than thirty years. The company also offers other forms of credit, such as payment in instalments, and issues credit cards in collaboration with partners including retailers, banks and interest groups.

ICS wanted to digitise more than 500,000 credit card application forms to make the stored information easily accessible and to standardise the form layout.

With security its number one priority, ICS required a trusted business partner that could perform the work quickly and professionally to a high standard.

Ultimately, we delivered a data and image set that could be uploaded directly into the ICS system.

Thanks to this digitisation, the documents are now visible from every customer location and can be accessed via a simple keyword search, with accessibility and consistency of the information improved.

ALD Automotive

Automatic processing of daily incoming fines

With more than 1.7 million vehicles across 43 countries, ALD Automotive is a global player in mobility financing and management. With innovation and personal service as its highest priorities, it works with 6,500 associates to keep its customers satisfied.

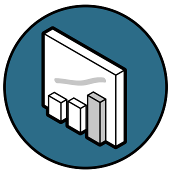
PCC Benelux provides a complete processing solution to ALD Automotive. The mail is collected three times a week from ALD Automotive locations and brought to our main service centre, unpacked, sorted by type and scanned through our proprietary solution, which is fully integrated with ALD Automotive's system.

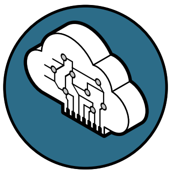
The digitalisation of the fines significantly improved turnaround time and enables handlers to fully focus on their core tasks.

PCC United Kingdom

Jeremy Walters,
CEO PCC UK, Ireland
and Luxembourg

This has been a very exciting year for PCC UK, with continued acquisitions and growth and further building out of the digital customer experience.





Growth and service expansion

Our investment in production, technology and innovation has driven operational growth to ensure that ***together, we deliver the future of brilliant customer communications, globally***. This has been underpinned by strong strategic growth built on relationships with existing customers and new business wins via enhanced service offerings.

We have further strengthened in digital communications and technology with the acquisitions of Celerity Information Services, ORM and Despark, adding new digital capabilities, reinforcing our ability to deliver the services that make us a trusted partner to our customers and bolstering the Group's business in Europe and the USA.

ORM and Despark are specialists in digital strategy, technology platforms, data and customer experience, operating as a digital partner to leading global brands from bases in the UK, US, Poland, Ukraine and Bulgaria. With these acquisitions we have enhanced our ability to deliver technology-driven insights for multi-channel customer communications.

Celerity operates three sites in the UK, USA and Spain, enriching our operational capabilities and complementing existing PCC solutions, particularly around digital communications and identification.

These acquisitions underline our ongoing commitment to be the market-leading service provider for customer communications. Each acquisition has brought experienced teams with leading products and services, opening up new possibilities for our customers and augmenting our reputation as one of the most capable, trusted and reliable service providers in the transactional and regulatory communications market – in the UK and beyond.

Lead Supply

As PCC expands, we are seeing ever-greater demand for our market-leading Lead Supply approach to managed service delivery.

Lead Supply sits at the heart of the Paragon offer, consolidating our customers' multi-disciplinary, multi-channel, multi-site requirements across all functions and regions into one controlled delivery model.

Through this consolidation and smart technology, PCC is uniquely able to connect the physical and digital worlds to deliver optimisation, digitisation, automation and innovation for customers with complex communication requirements, delivering unrivalled control, capabilities and cost effectiveness.

We provide our customers a simple solution that allows full control of spend, quality and innovation across multi-channel customer communications, via a centrally managed relationship team and a single customer portal.

Paragon's in-house facilities, technology and solutions provide the preferred output channel for all communication, with a substantial pool of supporting supply chain partners managed, controlled and audited by our internal commercial and vendor management team.

At the heart of Lead Supply is our operational customer services team led by experienced Key Account Directors. They are responsible for the customer relationship and ensure service levels and expectations are met, with a clear focus on innovation and continuous improvement.

Bolstered by new business wins and recent acquisitions, including SIMS, Paperhat and Graft, we have continued to strengthen our Lead Supply operational and procurement capabilities to support our future growth and solutions development, enjoying significant growth in both revenue and profit.

...together, we deliver the future of brilliant customer communications, globally...

Our Lead Supply solution is now deployed across a growing customer base and helping elevate our partnerships to strategic level, including on-site teams embedded at Virgin Media, Royal Bank of Scotland, Boots PLC, Kellogg's, News UK, Cancer Research, Screwfix and BUPA Healthcare. These teams deliver best-in-class expertise, transparency and innovation on a daily basis. For example:

Kellogg's

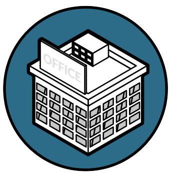
Our Kellogg's team has built an end-to-end print and point-of-sale execution service across the EMEA region, delivering a wide range of print collateral, 3D displays and instore communications for one of the world's biggest food retailers. Our customised online PEP portal has maximised the customer's production efficiency and spend, enabling them to deliver consistent, brand-compliant campaigns across multiple countries and languages.

News UK

At News UK, our on-site team has had an incredibly productive year, working with our customer's marketing teams to provide a huge range of printed communications and merchandise. We have helped create a fully automated 'lights-out' production process for The Times newspaper, delivered event collateral and set the stage for The Sun's prime ministerial debate between Boris Johnson and Jeremy Hunt. We continue to explore new opportunities and have recently been awarded the fulfilment database for The Times' subscription programme.

Customer successes

During the last year, PCC has continued to add significant new customers, further emphasising our position as an attractive partner to some of the world's biggest brands in a number of key sectors.



In the utilities sector, we have delivered a range of exciting projects for EDF Energy, including a brand new customer incentive programme combining SMS, email and web portals to provide an end-to-end communication solution that saved EDF Energy time and money and provided complete visibility. In March 2019, PCC was rewarded with a contract extension in response to our successful hard work on EDF Energy's transactional print, fulfilment, planning and data analytics, as well as the innovation and expertise we have brought to our Tier 1 strategic supplier partnership.

In media and telecoms, we have continued to work closely with our customers at Virgin Media, EE and BT. Our team went live with a three-year contract for a range of inbound services for Virgin Media, with our Sunderland site handling both business and domestic customer communications to save time and internal resource and allowing Virgin Media to focus on core activities that make a big difference to its customers. Virgin Media chose us for its inbound work due in part to our excellent existing service delivery.

For EE and BT, we were selected to provide a key transactional campaign to all one million of their home broadband customers. Across email, SMS and print, we delivered the vital transactional communications that keep our customers' businesses moving forward, with colleagues from multiple PCC sites working together to give EE and BT exactly what they needed.

In the financial services and banking sectors, we have continued to deliver brilliant marketing and transactional communications both for new and existing customers. We signed a contract with Capify, the UK and Australia's fastest growing B2B finance provider, to manage multi-channel marketing communications, including email, SMS and direct mail in both countries. We were also chosen as the outbound communications partner for Yorkshire Building Society Group after impressing the customer with our cultural fit, partnership approach, attention to detail and speed of response.

As our business continues to grow, we are well placed to deliver effective and innovative customer communications for customers across all sectors.

Investing in our people

In accordance with our company values, we employ ***the best people, empowering*** and ***inspiring*** them to be ***confident*** and ***customer focused*** in everything they do.

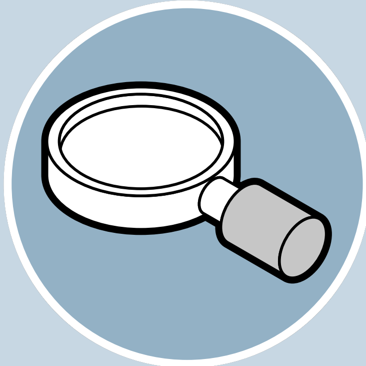
In the last year, we have restructured our business with customer delivery and efficiency in mind.

We have also focused on upskilling our people across the company, with new investment in training that includes the Paragon Quantum Programme, an all-staff training programme managed via online delivery to encourage the growth and development of our key people across the business. This has been supported by our continued investment in apprenticeships, which have proven to be a successful way to secure bright young talent and provide a platform for the future of PCC. We have also supported people throughout the business on personal achievements in line with their role.

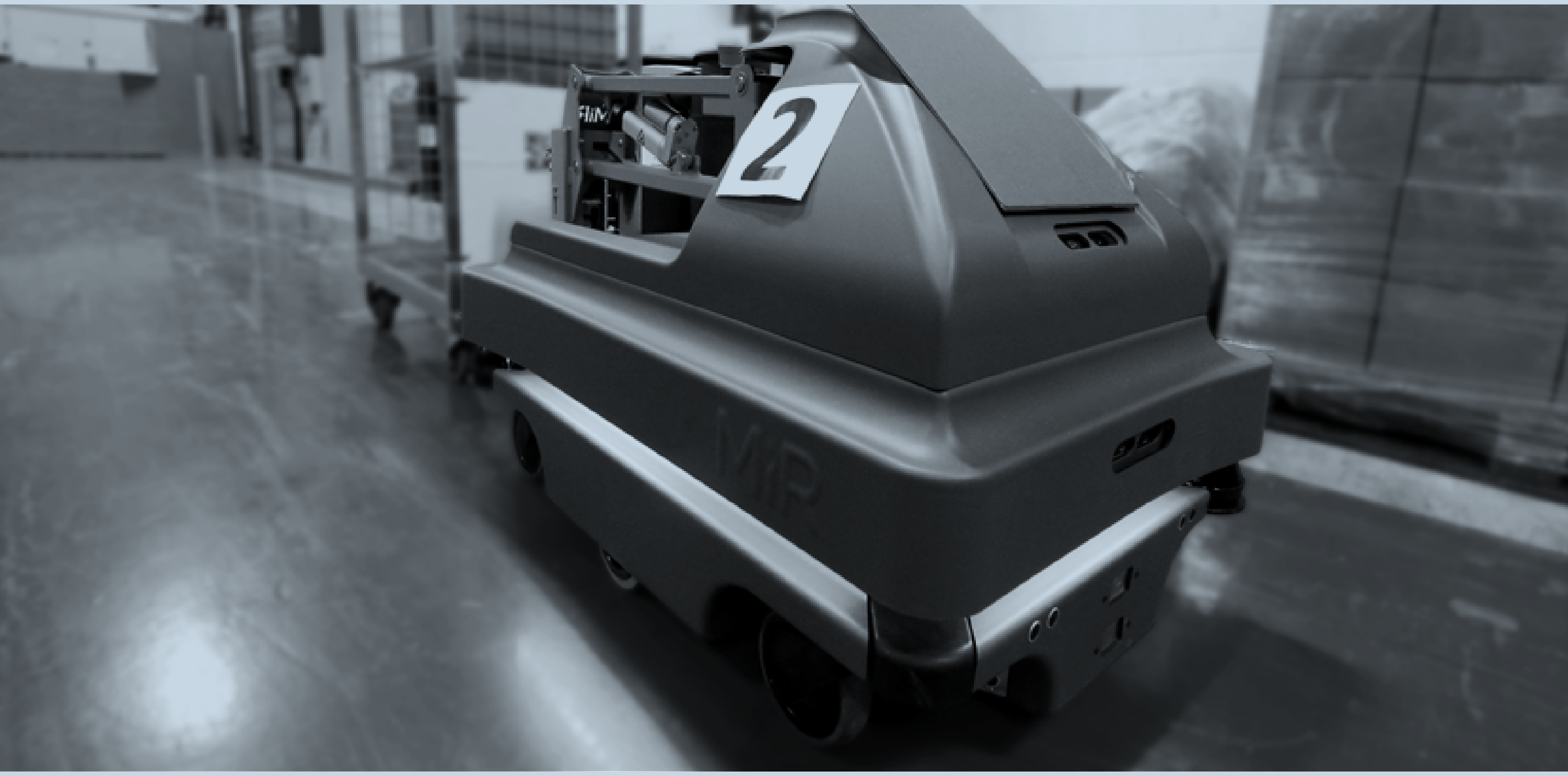
Site consolidation

PCC needs to continue to operate a sustainable business closely aligned to our customers' needs. In response to a changing market, in June 2019 we took the decision to reduce our footprint by consolidating the work carried out at our Jarrow site with that of PCC Sunderland and PCC Peterborough. The transfer of a large proportion of PCC Jarrow's staff over to the nearby Sunderland site was a difficult but necessary decision and will enable us to continue to sustainably deliver brilliant customer communications for our customers now and in the future.

Investing in technology



We continually invest in our technology to maintain competitive advantage...



PCC Bristol

PCC Bristol's Continuous Improvement Programme has already removed over 5,000 processing hours per year from its operation, enabling more customer work to reach production more quickly. The site's warehouse robots have continued to deliver efficiency through automation and we have allowed several colleagues to upskill into new roles within the business.

PCC Rotherham & Nottingham

PCC Rotherham is now operating a new litho press, enabling both traditional and digital print. We have invested £1 million in the latest technology at PCC Nottingham to improve efficiency.

The robots have continued to deliver efficiency through automation and have allowed several colleagues to upskill into new roles within the business...

This was an exciting and successful year for PCC France, as the company grew turnover significantly due to steady organic growth complemented by several acquisitions...

Guilhem Boucon,
CEO PCC France

PCC France strengthened its overall strategy and brand positioning through four business units: Marketing Services, Document Solutions, Direct Mail and Secure Print.

Marketing Services

Marketing services enjoyed strong growth over the year. The print management element has been extremely successful by focusing on customer experience, both at the point of sale and beyond, and also offers solutions to make purchasing journeys and our customers' supply-chain management easier.

The acquisition of Arcania has expanded our capabilities with a new logistics site as well as co-packing competences.

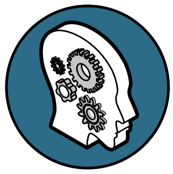
Document Solutions

PCC France's Document Solutions business unit delivers business process transformation by eliminating customers' risks, reducing cycle times and unlocking productivity gains. This unit is growing steadily, with strong organic growth and significant market opportunities.

Our Document Solutions business model has now shifted to focus on consulting, digital solution integration and document composition with Quadient (CCM), enabling mass publishing, hybrid mail production and output management. A great example of this is our recent business win for La France Mutualiste, acting as a consultant to support digital transformation of its business processes and incorporation of its CCM solution.

Our customers' core business managers are increasingly building digital solutions with PCC France, typically with very short deadlines that require our full agility, knowledge and expertise in customer communications. We offer custom user experience solutions to enrich their customer relations, which, while complying with their regulatory framework, incorporates multiple online and offline channels.

In line with our digital growth, PCC France has launched a Digital Now! program to train its team to understand the sale and design of digital solutions. This programme was born in the context of digital transformation within our customers' organisations and is delivered by our partner, a leading CCM solution provider.



This year has been especially strong for Document Solutions, delivering implementation of the electoral process for two major voting campaigns: the European elections and the HLM (social housing organisation) campaign. Many customers are opting for Paragon's internet vote platform, demonstrating a real market interest in internet voting solutions.

The European elections have had a real influence on the year, with management of the voting campaigns for the Loir et Cher, l'Indre, le Cher and the North of France departments representing around 2 million voters.

The HLM campaign has also been a real success for both PCC and our 200 customers. With 2.4 million voters to serve, most of our customers opted for a multi-channel voting solution, which included both paper and internet votes for a smooth transition. Our platform registered 45,000 internet votes in a month, with a very low rate of calls to our customer service, proving the user-friendliness of our voting platform.

Direct Mail

With the ever-changing needs and expectation of customers and consumers in the direct mail market, we are diversifying our industrial activities by shifting our focus towards more digitalised solutions, creating a link between digital and physical to offer all-in-one multi-channel marketing campaign solutions.

With the acquisition of direct mail specialist Arcania (formerly Arvato's plant in Noyelles-sous-Lens), PCC has become the market leader in France for direct mail.

This acquisition also makes us the leader in France for co-packing and supply chain management, bringing a customer portfolio of brands including Nespresso, Ponant Group and Bouygues Telecom. For example, we are optimising production of 5.5 million Bouygues Telecom SIM kits, with the secure, automatic interfacing of our information system with Bouygues's SAP system enabling complete traceability and tracking of deliveries, as well as managing the customer's supply-chain and logistics.

In January 2019, we consolidated our direct mail sites in Villechaud and Cosne-sur-Loire into one site to deliver performance benefits, efficiencies and optimise our investments.

Secure Print

Through our Secure Print business unit, we help our customers secure their strategic documents supply chain. This allows us to position ourselves as a market leader in a changing market, a position further enhanced by our acquisitions of Merico and Prisme Solutions, consolidating our industrial capabilities and increasing our customer portfolio within this sector.

We now count Edenred and ANCV among our customers for secure cheque production. For Edenred, we produce approximately 230 million secure gift and lunch vouchers per year, incorporating security elements like fiduciary printing, while we produce approximately 37 million holiday vouchers for ANCV with security elements to guarantee their veracity.

Building our team and capability

Our customer success is built on the commitment of our dedicated colleagues, who are growing with the company and are not afraid of taking the initiative.

Paragon Campus is a new training solution, led by Cyril Dropsy, to train our customers at their company or via e-learning processes. Cyril started his career at Paragon as a product manager for our hybrid mail solution, Simplissimo.

Patrick Sauze now leads the Bid Management and Strategic Projects Consulting Team for PCC France, after previously being Development Director.

PCC France

Customer case studies:

Paragon Customer Communications France strengthens our positioning and relationship with long standing customers.

Crédit Agricole

After winning a major tender for print purchasing, we now manage print for several Crédit Agricole Group entities. This new business win further strengthens our position with this long-standing customer, while our positioning was also enhanced in May 2019 with the acquisition of Merico, a former production unit for Crédit Agricole Group.

Médiatransports

Médiatransports is an advertising sales agency selling outdoor media space on public transportation. Paragon now manages its roll-out of print media space in train stations, subways and bus stations. These are complex projects, with many technical constraints and specific deadlines requiring night-time assembly and are handled by our print management team. We also assist with the creation of new devices and installation processes.

PCC Poland and PCC Romania

Robert Oracz,
GM PCC Poland

Manuela Teodorescu,
GM PCC Romania

PCC Poland

PCC Poland is passionate about connecting advertising to a sale for our customers' mass-mailing campaigns. We take care of everything from material purchasing, loyalty programs, transactional prints, fulfilment, personalisation, matching of personalised materials, cutting, folding, enclosing, postage, logistics and worldwide distribution.

Our customers trust us in many different sectors: tourism, publishing, fundraising, e-commerce, industry and fuel processing. PCC Poland is an evolving business and we are constantly looking for new opportunities.

During the year, we entered the transactional print sector, and now work with new insurance and financial customers to distribute invoices, bank statements, payment forms and bills.

Thanks to new PCC Poland solutions, we are able to fulfil our customers' needs for individual and original advertising mailings using a creative approach to paper, format, envelopes, plastic cards, posters and more, including personalised campaigns. This enables us to constantly embrace new, non-typical ideas and opportunities. We try to prove that by using a little bit more imagination and innovation, direct mail can easily become a positive surprise for the recipient and a highly effective marketing format.

We also augment our customers' mailings with solutions such as gadgets and loyalty cards. Our capacity enabled us to insert over 120 million mail packs in 2018.

PCC Poland is the perfect solution for original, creative campaigns and can also accommodate smaller companies' requirements by giving them the highest quality mailings on a small budget.
This continues to drive our growth year by year.

PCC Romania

PCC Romania achieved a record turnover and grew organically by more than 23% this year. We have continued to expand our capabilities to offer our customers a complete solution for the direct marketing of cosmetic products and dietary supplements.

We also achieved our two main goals for 2019: developing into new markets and delivering our highest monthly volume of manual smart fulfilment, with 9 million packages across multiple customers.

New personalisation capabilities were added to our existing know-how, allowing excellent quality, high flexibility and greater speed in implementing and delivering new concepts and products, including e-Sim personalisation and cut-sheet products through our HP 12000 equipment. We print and personalise objects using the latest UV technology, such as gifts, loyalty products and goodies made from a wide range of materials including glass, plastic, metal, wood and cork and have added new packaging features like hot foil, complex gluing techniques and complex folding techniques.

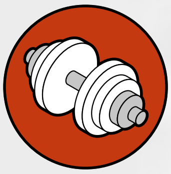
Our customers trust us in many different sectors: tourism, publishing, fundraising, e-commerce, industry and fuel processing...


GORE® Aerospace Cables & Materials
for More Electric Aircraft
GORE Microwave/RF Assemblies
GORE High Speed Data Cables
FOR AEROSPACE APPLICATIONS

Paragon ID

Clem Garvey,
CEO Paragon ID

Paragon ID is a leading provider of identification services, listed on Euronext Paris with a majority of shares (77.5%) held by Paragon Group.



Summary of the Year

The last 12 months have been very important for PID. The first half was dominated by our successful industrial reorganisation, with the achievement of improved productivity and performance levels in our internal operations and in those of our supply chain partners. Our profitability improved significantly during the year as we reaped the benefits of this restructuring programme.

In the second half of the year, our focus returned to developing business across all four market areas: eID, Smart Cities & Mass Transit, Track & Trace and Payment. Third quarter sales grew 17% year-on-year, with very strong performances in Smart Cities and eID. Sales in the fourth quarter grew 20%, including some of the first significant contributions from sales of the AmaTech technology.

PID advanced its strategic objectives by completing the acquisitions of AmaTech and RFID Discovery and taking a significant shareholding in Airweb, a leader in mobile ticketing applications.

During the year, PID appointed Clem Garvey as Chief Executive Officer, Olivier Doye as Chief Financial Officer and Konstantinos Lagios as Chief Commercial Officer.

Look to the Future

As we commence a new financial year, PID is well positioned to pursue its strategy of profitable growth in eID, Smart Cities, Track & Trace and Payment:

- The constant worldwide preoccupation with security and control of cross-border movement will continue to encourage governments and organisations to seek innovative eID solutions for personal identification
- In Smart Cities, the expansion of urban populations and the convergence of technologies is stimulating requests from public authorities for new mass transit systems
- Supply chain automation and the increasing need to prevent product counterfeiting is driving demand for cost-effective Track & Trace authentication solutions
- The contactless revolution in payments, while highly developed in Europe, is just beginning in many parts of the world.

Paragon ID has unique applications and expertise and offers solutions in each of these spaces and will continue to augment its technological offering through partnerships and acquisitions to remain at the cutting edge of the industry. Over the next year, we will focus our efforts and investments in four specific areas: RFID luggage tags, RFID asset tracking, mass transit platforms and metal payment cards.

Our medium-term objective is to build our businesses in these areas to drive consistent double-digit growth with double-digit EBITDA.

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

We have confirmed the strength of our patent protection with regards to AmaTech's technology and are proud to be working with some of the world's most innovative players in the payment sector...

Strategy and positioning
Four key areas

eID: Operational excellence and research and development (R&D)

We have concentrated our efforts in e-ID, this year, in achieving operational excellence across our three production sites in Bucharest (Romania), Burlington (US) and Argent-Sur-Sauldre (France). We deployed new automation in our operations and further strengthened the quality of our production and supply chain, achieving levels consistent with the best in the industry.

In R&D, we focused on two specific projects to bring new products to market: a new design and production process for eCovers and using inductive coupling technology in polycarbonate inlays for eDatapages.

We work very closely with our partners and customers to provide them with high quality and secure products responding to ongoing developments in the market for eID documents.

Smart Cities: New and extended projects

Smart Cities had a strong year, with contract renewals, new customers and improved market penetration in mobile ticketing solutions.

In the contactless cards and tickets business, we have secured new business including Doha, Brussels, Santo Domingo, Nice, Lisbon, Washington, Casablanca, Rotterdam, Amsterdam, Cairo and Mecca.

We have finalised significant strategic partnerships with Wizway and Airweb in the digital and virtual arena, which have already driven significant new customer wins. We have also entered into the Open Payment environment through partnership with Ingenico, participating in bringing a new generation of readers to market.

PID is now in a strong position with public transport networks and authorities, as we have a full global offering, including physical and digital ticketing as well as proprietary platforms to manage ticketing and payment.

Our focus for 2020 is to further improve the full leverage of our network and sales teams to secure additional strategic business wins and position Paragon ID as the number one provider in the digital ticketing world, alongside our proven strengths in traditional magnetic and contactless ticketing.

In addition to the Mass Transit activity, important gains in Smart Cities were achieved in winning the Citizen's Card for the city of Lille and the contract for the supply, personalisation and mailing of 2.5 million European health insurance cards for CEAM in France.

Track & Trace: Significant progress

In 2019, PID entered the brand new RFID luggage tag business with a major contract win to supply 40 million tags to Air France for at least the next three to five years, establishing a strong position in a market that is expected to exceed €100 million in the coming years.

Our teams have excelled to gain traction in this fast-growing market, leveraging our RFID expertise alongside PCC's leading position in the supply of services to the aviation industry.

RFID Discovery, our Software Solution for Asset Management

In November 2018, PID acquired the intellectual property rights and assets of RFID Discovery, a complete asset management solution that combines advanced Internet of Things (IoT) technologies to track assets and inventory. The versatility of the solution gives both small and large organisations the data and insight to optimise efficiency, profitability and product safety throughout their asset management, manufacturing and logistics processes.

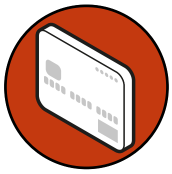
RFID Discovery is being used successfully by many NHS trusts within the healthcare sector and by other organisations to constantly track critical equipment.

RFID Discovery forms the basis of our new Software as a Service offering in Traceability, with major new contracts for Torbay and South Devon NHS Foundation Trust and The Royal Wolverhampton NHS Trust along with, wins in other major industrial sectors and ambitious development plans in Europe, North America and the UK.

Building Our Track & Trace Business in North America

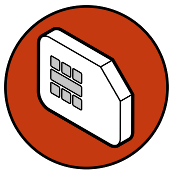
PID is focused on deploying our solutions in North America, particularly in the air transportation and retail markets, and has recently appointed leading industry expert Enu Waktola to lead this Business Development strategy.

Payment: First significant contracts



Following the acquisition of AmaTech in 2018, we officially launched our key product in the payment sector in October 2019: the world's first metal inlays with a dual-interface chip module. This breakthrough technology, which enables production of metal-embedded smartcards, with the ability to activate contactless payment on both sides, gained momentum very quickly among financial institutions and card manufacturers in search of new ways to improve their end user's experience.

Revenue streams for this activity are generated in different ways, including the design, manufacture and sale of specialist inlays to be embedded in metal cards, licensing of our patented contactless technology to card manufacturers and consulting services to major card manufacturers and issuers who recognise the value of AmaTech's expertise in this area. This new activity has already generated over €1.5 million this financial year.

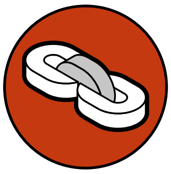


This year, Amatech won contracts with Arroweye, supplying a booster inlay component and a companion dual-interface chip module to allow online personalisation of contactless payment cards.

We have also been able to confirm the strength of our patent protection with regards to AmaTech's technology and are proud to be working with some of the world's most innovative players in the payment sector, who recognise the value of our intellectual property (IP). This year's key successes position us to deliver on an ambitious business plan for the payment sector activity over the next few years.

Building our leadership team

Enu Waktola: We appointed Enu Waktola as Business Development Executive in North America. As co-founder of the RAIN (RAdio frequency IdentificatioN) RFID Alliance, her unparalleled expertise is a precious asset for the company, with over 20 years' demonstrated excellence in creating transformative growth and innovation in RAIN RFID, NFC (Near Field Communication) and related IoT technologies.



Dr Mustafa Lotya: Chief Technical Officer at AmaTech. Mustafa is highly skilled in the design and development of innovative products for RFID applications in the payment sector. A creative thinker with a strong record of patent authorship for securing of IP market position, his experience and technical skills have been instrumental in our successes in the payment sector.

Darren Rockett: Head of Software Development. Darren joined PID through the acquisition of RFID Discovery. With 20 years' experience in the healthcare sector, his contribution to the development of RFID Discovery's asset tracking system has been fundamental to its successful implementation in dozens of hospitals in the UK. With the deployment of the solution in other key sectors and in Europe and North America, Darren's expertise will be valuable to the company.

Olivier Doye: Olivier Doye was appointed Chief Financial Officer in March 2019, having previously held the position of Deputy Managing Director in charge of the finance department at PCC France. As part of PID's ongoing development, Olivier's mission is to strengthen management of the finance department and improve the company's competitiveness to deliver sustained growth and profitability.

Konstantinos Lagios: Konstantinos joined PID as Chief Commercial Officer (CCO) in September 2018. He leads our sales and marketing functions, with responsibility for growing sales worldwide. Having previously held the position of CCO at Austria Card Group, his experience of the market has been an invaluable asset for the company, in particular for the development of our eID and payment activities.

Eric Gerbault: Based at our site in Nice, Eric is R&D Electronics Director and manages Smartcard OS development, OEM contactless reader development, chip/antenna design and the support teams. His expertise is key in the strategic development of our platform as a service offer in the Smart Cities activity and his contribution has been vital in our strategic partnerships with Ingenico and Wizway.

Strategic partnerships

Wizway

In January 2019, PID announced a strategic partnership with Wizway Solutions, a leading player in the digitisation of tickets on NFC-enabled smartphones. This partnership gives PID – already a world-leading supplier in smartcards as well as magnetic and contactless tickets – the opportunity to offer the most comprehensive mobile ticketing offer in the market, tailorable to the specific needs of our customers, and opening doors to new markets in emerging countries.

Ingenico

In June 2019, PID and Ingenico, the global leader in seamless payment, announced our partnership to combine the best of transport ticketing and payment functionalities. The companies are developing solutions together to read tickets, payment cards and smartphones on a single reader for deployment in the mass transit market. More specifically, both companies collaborated on the implementation of new contactless readers at the heart of Ingenico's new OP2GO open payment offer, dedicated to the public transport sector.

Strategic memberships

International Air Transport Association (IATA): PID is now a member of IATA's Strategic Partnerships Programme and will be actively involved in the RFID sub-working group within the Baggage Working Group. The RFID sub-working group has been created to work on the implementation of RAIN RFID baggage tracking.

RAIN RFID Alliance: PID has joined the RAIN RFID Alliance. RAIN promotes the benefits of the adoption of Ultra-High Frequency (UHF) RFID technology to brands and businesses worldwide, while helping those businesses find trusted suppliers that have the right solutions and expertise to answer their requirements.

International Card Manufacturers Association (ICMA): AmaTech has joined the ICMA, a leading non-profit association of card manufacturers, personalisers, suppliers and other industry-related companies. By joining the ICMA, AmaTech has access to extended education and training opportunities, early knowledge of industry trends and networking events with leading companies in the card industry.

Paragon ID

Customer case studies:

We describe two significant wins in the case studies below. They will allow PID to position our Baggage Tracking and Mobile Ticketing Platform technologies as leaders in the market.

Track & Trace: Air France

Over the next few years it is expected that the amount of airline baggage transported annually will double to some 8.2 billion items. The International Air Transport Association (IATA) has resolved to support the global deployment of RFID for baggage tracking, stipulating that passengers' baggage must be tracked in real time across key points in the journey: at check-in, boarding, transfers and on arrival. As a result, airlines have committed over the coming years to replace their current baggage tags with new ones integrating RFID technology and have started to look for suppliers to help them achieve their goals.

Following a tender process, Air France selected PID for the exclusive worldwide supply of its 40 million RFID luggage tags per year, over an initial period of three years.

Air France is one of the first global airlines to expand and standardise the use of RFID technology across its baggage operations.

Mobile Ticketing: Quebec

Following a public tender, Réseau de Transport de la Capitale (RTC, Quebec City) selected PID to implement its mobile ticketing solution. We will deploy our solution based on the Airweb platform, giving users access to a complete ticketing system on their smartphone. This will be connected to RTC's existing real-time "Nomad" application, which allows users to see real-time information about their bus and plan routes on the bus network of Quebec.

This win confirms the positioning of our mobile ticketing platform technology as a leader in the market.

Paragon Graphic Services

John Eager,
CEO PGS

PGS's primary focus is on-demand, small quantity digital printing...

Our business is growing in the provision of design and digital services. This builds on our historical expertise and client base in the Architecture, Engineering and Construction (AEC) sector.

Paragon Graphic Services (PGS)

The PGS division was created early in this financial year. The companies in the division include Service Point UK (since rebranded to Service Graphics), Print Trade Suppliers and Global Document Systems in the UK, Allkopi in Norway, Holmberg's in Sweden, FleQs in the Netherlands and Service Point Spain.

PGS's primary focus is on-demand, small quantity digital printing, commonly referred to as "graphics". We go to market in retail formats, with walk-in print centres in major metropolitan areas (particularly with Service Graphics and Allkopi), as well as an industrial factory format. Our customers are predominantly marketing departments of larger organisations and a large pool of small and medium-sized business owners. Across the division, we offer unique products and services such as complex display graphics, books on demand, promotional products, mail solutions and pressure seal technologies. PGS includes several high-technology businesses, including our CGI Studio, Project Vault and Sky Vault cloud-based solutions.

Operations & investment

The graphics market continues to grow and with PGS ideally suited to meet the ongoing trend for higher quality products in smaller volumes with reduced lead times. Marketing spend is rising and the digital production capability of our division is well aligned to this demand.

Within Service Graphics and Allkopi, we strengthened our focus on our customer engagement and sales processes while aligning our delivery resources with our customers' needs. We made significant investment in finishing equipment in our UK and Norway print centres, allowing more on-site production to better meet our customers' on-demand requirements and improve margins through reduced outsourcing and production headcount. We opened our first 'micro-shop' in Greenwich, London, to test the concept of a smaller shop paired with a larger centre nearby to reduce footprint, production investment and team size.

Service Graphics enjoyed the first full year of benefit from the Northern Mail and Kingswood iOptus businesses, which were acquired late last financial year. Northern Mail delivers hybrid mail solutions at small volumes, which is especially attractive for critical mailings such as patient appointments in the health sector. Kingswood iOptus provides a well-invested digital print business in the City of London, which we merged with our existing Old Street branch, and a wide-format production facility in Swanley on the edge of London. Kingswood iOptus has a strong and long-established reputation in London and has integrated well into Service Graphics.

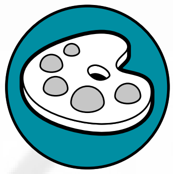
Global Document Systems (GDS) includes the first full year of the DMS business in Caerphilly, Wales. GDS is now a full-service offering, including pressure seal equipment supply and service as well as pressure seal forms manufacturing, with a gluing forms press, transferred from PCC, coming online for production in May 2019.

Building our leadership team

Martin Hutchings joined PGS in 2018 as Managing Director to lead our investment in the large format and display market, including the Magenta and Service Graphics acquisitions.

Barry Crich joined us in April 2019 as General Manager to lead Print Trade Suppliers and Global Document Solutions, with responsibility for the Accrington, Castleford and Caerphilly sites.

In November 2019, Mike Holyoake was appointed as Managing Director, to lead our Service Graphics Print & Design business in the UK.



Service Graphics acquisitions and rebrand

With the acquisitions of Magenta Print Solutions from Debenhams plc and the key trade, assets and brand of Service Graphics, the business has been catapulted into a significant market-leading position in large format and display graphics in the UK, with annualised sales in excess of £30 million, a workforce of over 200 and substantial production capabilities in Taunton, Skelmersdale and Glasgow in the UK.

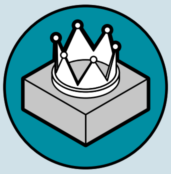
The business provides a full graphics solution, from large format, display, exhibition stands, merchandise, vehicle and building wraps to on-demand document print production and web design, with a full-service capability encompassing consultation, design, production and installation for a roster of leading national and international brands.

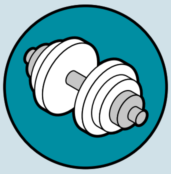
With the Service Graphics acquisition providing a well-known name in its sector in the UK, including a historically well-presented brand image (including a Royal Warrant), we rebranded Service Point to Service Graphics. 'Display' operates under the tag-line 'Creating Visual Experiences', while the 'Print & Design' print-centre side offers 'Everything Print & Design'. We refreshed branch interiors and exteriors, launched a new website and delivered ongoing marketing and customer engagement campaigns.

Paragon Graphic Services

Case studies

PGS has been involved in some very high profile installs in the last 12 months, here is a flavour of the work we have delivered.





The Royal Collection Trust: Premium-quality display graphics

As the Royal Collection Trust's exclusive print partner, we provide an assortment of visual solutions from digital signage through to tension fabric displays, ensuring our products are to the quality expected of iconic heritage projects.

For the Trust's 2019 Summer Opening, we supplied graphics including Raffa Canvas, printed and cut colour-matched vinyl, foamex panels and PVC banners, with six installers on site for two weeks to deliver this year's theme.

FA Cup Final and Semi-Finals: Giant centre-stage graphics

For the 2019 FA Cup final and semi-finals, we produced giant, 9,500m² ceremony graphics, unveiled on the pitch by over 100 British military personnel. Using one tonne of dye-sublimated knitted polyester, the project was produced to a short deadline at our specialist fabric production site in Skelmersdale.

The Queen's Club Tennis Tournament: Site décor

As one of the most prestigious and oldest sports tournaments, The Queen's Club attracts the world's best players and the eyes of the international media. At the 2019 tournament, Service Graphics delivered more than 4,500m² of graphics and signage products promoting the official sponsor, Fever-Tree, alongside the tournament's heritage: from on-court signage and wayfinding signage to an entire grandstand wrap. Both players and visitors were able to enjoy the experience, surrounded by images of tennis legends.

Page 43 Images:

1 Creative school décor
2 RADO
3 The Royal Collection Trust: Premium-quality display graphics
4 Chelsea Install
5 Millwall Football Club
6 Charlotte Tilbury Retail
7 FA Cup Final and Semi-Finals: Giant centre-stage graphics
8 The Queen's Club Tennis Tournament: Site décor

Millwall Football Club

Following Kingswood iOptus' ad-hoc supply to Millwall FC over many years, Service Graphics secured an exclusive three-year print and graphics partnership in June 2019.

We provide all graphics and printing projects for the club: from invitations, posters, menus and match day brochures to corporate branded goods, signage, pitch-side advertising boards, the Millwall FC bus graphics and a rebrand of the Millwall Community Trust.

A particular highlight has been the design, production and installation of a complete stadium rebrand, including a wrap of the entire building.

We are also a proud sponsor of the club, running digital media campaigns to its 20,000-strong fanbase and participating fully in its sponsor and partner club.

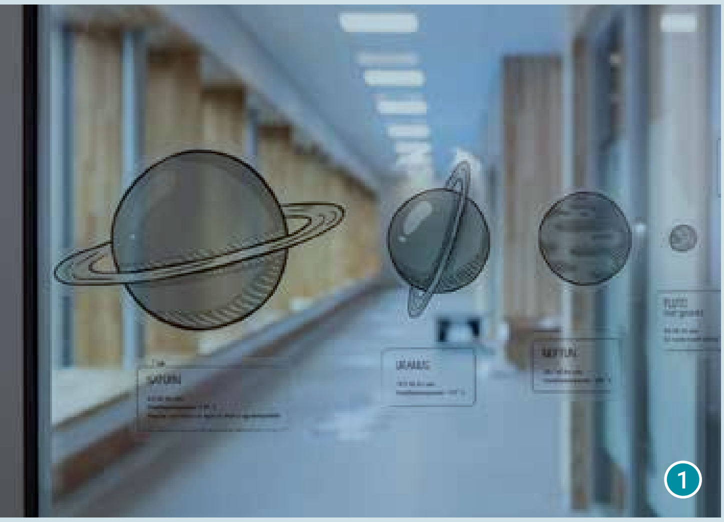
"We recently partnered with Service Graphics, who deal with all aspects of our print and stadium signage. They have delivered projects to a high standard and in good time. We have been delighted with the attentive levels of service and the advice that we have received. We would certainly recommend their services."
Andrew Stead, Commercial Director,
Millwall Football Club

Wood Group & Heathrow Airport

Service Graphics is a long-term partner to Heathrow Airport and business related to its development, and supported Wood Group's consultation with the surrounding population through three million leaflets, display materials and collateral for public consultation sessions.

Creative school décor

Allkopi Norway fitted out an entire new school with public area signs, designs and décor. Working closely with the project manager, architect and school stakeholders, we helped develop the school's vision, designing and creating original and playful themes for each department that even included floor and wall graphics and finishes that could be incorporated into the learning experience. The project was such a success that our European partner, Antalis, has selected it for inclusion in its Antalis International Design Award.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MASTER OF MATERIALS
RADO
2


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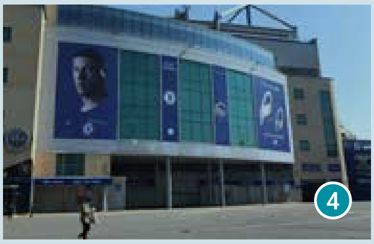
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GALLAGHER
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NEW! AIRBRUSH
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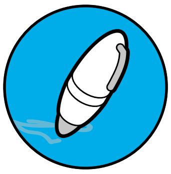
Driving our growth – Paragon’s acquisition team



In the past 5 years, Paragon Group has more than tripled in size with numerous acquisitions (more than 35) bringing significant new technologies, people, capabilities and scale to the group.

The Group’s record of successful acquisitions is founded upon a dedicated M&A team focused on the strategic development and management of the M&A process, including the filtering and selection of target companies, the management of thorough due diligence processes and the preparation of post-acquisition plans.

Our tried and tested methodology in conducting M&A transactions has resulted in further strengthening our business offerings, dramatically increased turnover and profitability, as well as continuous expansion of our footprint across Europe and beyond.

The dedicated M&A function is comprised of a small but highly experienced team led by our VP of Corporate Development, John Rogers, with two dedicated senior M&A operational members, Anand TS and Pauric Crean. We also have a network of people across all our businesses that work closely with the M&A team. Support is provided by external team members with deep and relevant industry skills and finally we use external expertise for legal, tax and other areas as required.

Critical to our success is an ability to access cross-functional know-how and support from operations within the wider Group. With the involvement of our internal general managers and specialists in various disciplines, we are constantly looking ahead to identify the next opportunity and assess the potential synergies and risks of a deal.

Our highly structured process, which is driven by continuous strategic review, extensive pipeline generation and disciplined target selection, seeks to find attractive takeover candidates with high-value-creation potential. We conduct extensive commercial, operational and financial analysis, also evaluation, whilst following very specific criteria, to determine overall compatibility. This includes management and strategic fit, ease of transaction, logistical considerations and assessment of the cost of, and ability to, extract synergies.

Once a decision is taken to proceed with a potential acquisition, our experience in negotiation, robust post-acquisition planning and expertise in synergy extraction, typically ensure a higher return on investment and deliver long-lasting value for our shareholders.

Significant time and energy goes into acquisition projects that may not materialise, for any number of reasons, such as high value expectations by sellers, excessive competition for a potential target, lack of management, cultural or strategic fit. However, with patience and careful follow-up engagement, Paragon frequently has an opportunity to re-engage at a later date.

One such example in the public domain, was our bid for a part of St Ives Group, which was eventually sold to another bidder that was willing to pay a premium for the business. It subsequently ran into financial difficulties post-acquisition, resulting in an insolvency process. Paragon consequently acquired the Service Graphics business at a substantial discount to the original purchase price.

Although we face stiff competition, often from financial sponsors or industry competitors, our vision – Buy, Build & Grow – allows us to compete effectively, as we offer long-term prospects to the companies we acquire, enhancing our reputation in accomplishing successful transformations and turnarounds.

A key element of Paragon's strategy is the ability to acquire companies and absorb them into our business...

A record number of acquisitions

The past fiscal year has seen a record number of businesses acquired (15 in total) across the three divisions within the Group.

Graphic Services division

Magenta – In December 2018, Paragon acquired Debenhams point-of-sale business through a carve-out, bringing significant additional revenue and capacity to the point-of-sale and large format graphics business in the UK. The acquisition is a natural fit for Paragon's graphics large format & display business, strengthening our position in large format graphics.

Service Graphics – The opportunity to acquire the trade, together with certain assets of the UK's market leading large-format graphics producer, was presented to Paragon in January 2019. We subsequently re-branded the "Service Point" branch network and graphics businesses in the UK to "Service Graphics Print & Design" and "Service Graphics Display", respectively.

Paragon ID division

RFID Discovery – An asset sale agreement in which Harland Simon's asset tracking software RFiD Discovery was purchased by Paragon in October 2018. With multiple applications in tracking and traceability of high value and critical assets, RFID Discovery is used by a growing number of NHS trusts and other healthcare organisations to increase operational efficiency, improve patient safety and achieve cost savings. Solutions include Asset Tagging, GS1 Asset Labelling, Theatre Inventory Management, Baby Tagging, Wander Patient Safety, Staff Safety and Temperature Monitoring.

Airweb – Announced in November 2018, this was an early stage VC-style strategic investment in the shareholding of Airweb by Paragon ID. Airweb is a specialist provider of mobile ticketing using a QR-code based solution for public transport networks. Airweb is currently the most widely used mobile ticketing solution in France and has only recently won a complete mobile ticketing solution for the network of Quebec allowing users to access real-time information of their bus journeys.

Paragon Customer Communications division

Imprimus – Paragon acquired Imprimus the former UK business of Strålfors, PostNord's customer communications business in Europe, in July 2018. In addition to a strong management team and broad customer base, Imprimus has modern and efficient equipment and site capacity at Redruth permitting Paragon Customer Communications (PCC) to better manage capacity utilisation across our UK sites.

Prisme – An opportunistic asset purchase in October 2018; PCC France acquired Prisme via a bankruptcy process boosting its market leading position in the gaming industry, whilst also bringing incremental revenue and additional capacity to PCC security printing business.

Lettershop Noyelles – Acquired in December 2018, the lettershop, data management, print and distribution business of Arvato Bertellsman in France complemented PCC France's direct mail and distribution activities. The acquisition enabled PCC France to become a market leader in direct marketing and a significant player in supply chain management, together with providing internalisation and insourcing opportunities for PCC France. The transaction included a large state-of-the-art 20,000 sqm facility providing free capacity for further site consolidation from PCC's other French sites, as well as being optimally located from a logistics standpoint between Paris, Calais and Lille.

Paperhat Group – The Group was presented with the opportunity to acquire the trade and assets of Paperhat Group in November 2018 through a UK administration process. On completion, Paperhat brought with it some important blue-chip customers and an international footprint.

Despark – Acquired in December 2018, Despark is a web development and mobile app design business based in Sofia and London. The business is particularly strong in the financial services and health & wellness sectors. Despark adds to Paragon's Digital Customer Experience (DCX) business and opens our customer base up to a team of app developers and web design experts.

rcDDM – Acquired in November 2018, rcDDM is a leading market player in the German customer communications and document archiving space. The business is particularly strong in the telecoms, energy and automotive sectors and brought significant data archiving capacity and capabilities to the Group

A year of acquisitions

July 2018	Aug 2018	Oct 2018	Oct 2018	Oct 2018	Nov 2018	Nov 2018	Dec 2018
Imprimus (UK) – PCC €16.6m sales	rcDDM (Germany) – PCC €53.4m sales	Lettershop Noyelles (France) – PCC €29.1m sales	Prisme (France) – PCC €4.0m sales	Harland Simon – RFID Discovery (UK) – PID €1.7m sales	Paperhat Group (UK)* – PCC €6.8m sales	Airweb (France) – PID €1.5m sales	Magenta (UK) – PGS €12.0m sales

* forecast on completion

In the past fiscal year, we completed a **record number** of acquisitions...

including secure underground data centres. rcDDM brought further critical footprint and scale in Germany, as well as important postage optimisation opportunities for our transaction services business with PCC Germany.

Merico Delta Print – Acquired in May 2019, Merico is a French communications, direct marketing and document management business that was purchased by PCC France as a consolidation play in the domestic customer communications market.

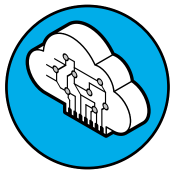
Howard Hunt – Following the collapse of the London-based direct marketing group in May 2019, Paragon acquired certain assets of Howard Hunt Group through an insolvency process including the customer order book. As part of that process, Paragon acquired Graft, Celerity and ORM.

Graft Solutions –Graft is primarily a UK print management, sourcing and supply chain management business, but also provides marketing services including creative services, multi-channel marketing and postage optimisation. The business offers complementary and synergistic opportunities with PCC's Lead Supply business.

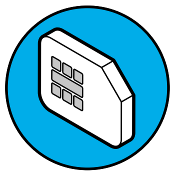
Celerity– With offices in London, Boston and Madrid, Celerity is a technology consulting company specialised in developing and running data-driven marketing campaigns for clients using software platforms such as Adobe campaign software, Tealium and the Salesforce marketing cloud platform.

ORM – The acquisition of ORM bolstered PCC's portfolio of digital services by bringing expertise in data insight and analytics, digital communications, digital strategy and technology development. The business is particularly strong in building complex website front ends, UX and mobile app development for transport and financial services end markets, making it a complementary acquisition to both PCC and Paragon ID.

Post financial year acquisitions.



RRD's European Global Document Solutions (GDS) – effective October 2019, Paragon completed its largest ever acquisition with the purchase of RRD's European GDS business, a provider of document management services and solutions, with operations in the UK, France, Spain, Germany, Netherlands, Poland, Ireland and Italy together with over 1,500 people. As part of the transaction, Paragon entered a strategic alliance with RRD aimed at expanding our offerings to our customers. The acquisition represents a significant opportunity for Paragon to enhance its market position across its portfolio, to significantly grow the customer base and to extract sizeable operational, as well as supply chain savings.

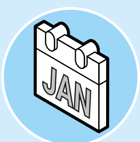


Thames Card Technology (TCT) – effective November 2019, Paragon acquired TCT, which designs, manufactures, personalises and distributes payment, loyalty, gift and other cards, primarily for the financial services, banking, retail, leisure & tourism and government bodies sectors, in both the UK and internationally. Accredited with EMV® (Europay, Mastercard, Visa) security certifications for manufacturing and personalising chip cards at the UK production site, TCT enjoys a strong reputation, offering high quality solutions that ensure data security.

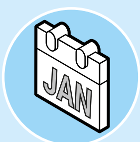
Looking to the future, acquisitions will remain a critical and essential part of Paragon's DNA, as the company strives to continue implementing a long term ***"Buy, Build & Grow***" strategy. Acquisitions will also provide the opportunity to shift our focus to becoming more of a services and solutions business, increasing our digital capabilities at the same time.

As digital disruption takes hold, new acquisitions, combined with technology, will allow us to help our clients transform their businesses, in turn making them sustainable for the future. In addition, we will continue to identify acquisition targets that will provide scale, geographical expansion and opportunistic consolidation.

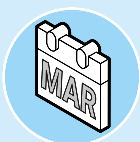
John Rogers
Vice President – Corporate Development



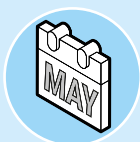
Jan 2019
Service Graphics (UK) – PGS
€23.8m sales



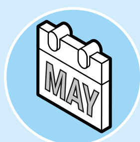
Jan 2019
Despark (Bulgaria) – PCC
€2.0m sales



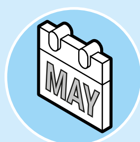
Mar 2019
Merico Delta Print (France) – PCC
€12.8m sales



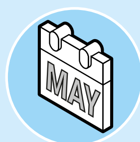
May 2019
Celerity IS (UK) – PCC
€10.2m sales



May 2019
ORM (UK) – PCC
€7.0m sales



May 2019
Howard Hunt (UK) – PCC
€5.8m sales



May 2019
Graft Solutions (UK) – PCC
€4.7m sales

Technology
at Paragon

Andrew Marks,
Group CIO

Paragon is a technology- and people-led business: our technology propositions are a strategic priority and a core differentiator for our customers across all three divisions.

Strategic growth platforms

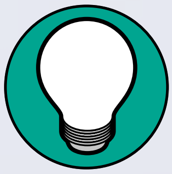
As Paragon continues to grow through our Buy, Build & Grow strategy, we have consolidated our portfolio of technologies into a series of strategic platforms designed to deliver local and international operations in a consistent, best-in-class manner, with the flexibility and scale to continuously meet our customers' evolving requirements. This has enabled Paragon to win significant new international customers, and deliver increased volumes and an expanded service range to national and local customers.

PGS's recently expanded technical capabilities have given it a market-leading position; PID has continued to develop proprietary contactless technologies that are used by hundreds of millions of people; Our PEP platform powers business critical processes for over 1 million users across thousands of organisations and has expanded its language, currency and user functionality to meet this demand.

This strategic platform approach has also delivered major efficiencies through the alignment of our business processes and associated skills, with common ways of working allowing teams to share skills and experience between operations and rapidly scale to support project expansions. This is critical for strategic customers that drives our organic growth. Our ability to offer world-class physical and human resources in all markets helps to make us the partner and transformation agent of choice, for many leading organisations'.

Secure, reliable subscription services from our technology partners have continued to evolve over the last year, allowing us to adopt a hybrid strategy for the infrastructure that underpins our platforms: combining cloud 'platform as a service' solutions, private cloud service provision and more traditional hosted data centre management. This gives us the benefit of the flexibility of a secure and reliable cloud architecture, with optimum capabilities, compliance, pace of change and innovation, while still offering a fully ring-fenced service where required.

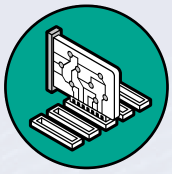
Driving value from data



We operate in a world with exponentially increasing amounts of data; and Paragon's technologies and people are ideally suited to helping our customers rise above the challenges this presents and to use data to gain transformative performance gains.

We apply the same approach to data as we do to our strategic platforms – careful selection of our technologies allows us to change how data flows around a cycle and how it can be used at any point. A complete data lifecycle management approach enables us to drive maximum value from data on behalf of our customers.

We have developed a streamlined technology toolset with a more integrated architecture to reduce the amount of data movement and the number and complexity of interfaces between systems, with a significant positive impact on risk that is vital in many of the sectors in which we lead the market, such as financial services, and to the benefit of all customers in a GDPR world.

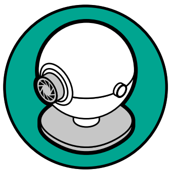


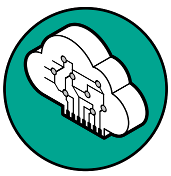
As part of our consultative approach to customer service, we offer our customers advice to extract the maximum value from their data: for example, offering guidance on how to prepare data for transfer into production to minimise the customer-side work and optimise production speed and efficiency.

Respect for our customers' data underpins all we do in Paragon. Demonstrating regulatory compliance is the bare minimum today; we go much further to demonstrate how our systems support a trusted and secure supply chain, whether using locally installed software or integrating public internet-based services to fulfil a customer's needs. We work hard to offer greater transparency in terms of how we work, providing direct access to Management Information (MI) systems for our customers where appropriate.

We pride ourselves on key accreditations that support our business policies, such as ISO 27001 (Information Security Management), and undertake frequent independent security assessments.

Our DCX businesses work with our customers to build tools that encourage digital data creation from the very start...





Digitisation: A customer priority and a key Paragon differentiator

Digitisation of processes and output continues to be a priority across our customer base. This is a strong differentiator for Paragon, enabled by our technological capabilities, skill base and deep expertise and integration across both print and digital. For example, we have established advanced capabilities to easily capture a high-quality digital record of a physical item, which can then replace that item in any process from that point forward to unlock significant efficiency, cost, speed and accuracy improvements.

The increasing number of digital sources of data, particularly from point of sale, website and mobile, alongside growing digital output through email, web and social media, has led to more 'pure digital' data journeys that are fully supported by our data and digital services, which we have continued to develop and expand throughout the year.

Our Digital Customer Experience (DCX) businesses work with our customers to build tools that encourage digital data creation from the very start. The level of automation possible in such digital data journeys has enabled us to reduce customer output volumes by consolidating production and, subsequently reduce the time from data receipt to output, improving customer care and operational performance.

By focusing on data as the primary source of value, Paragon has built a foundation of advanced data analytics and data science platforms and recruited a number of world-class experts in this field, providing benefits directly to our customers and expanding skills across teams. Our capabilities in this area are driving efficiency in our print output pre-processing and unlocking maximum return on our customers' marketing spend by targeting output to the most valuable end customers, automatically and in real-time. The technology that underpins this wholly digital data journey has enabled us to offer our customers a seamless transition from physical to digital customer communications, which is a key proposition in many of our enterprise-level business wins and contract extensions over the course of the year.

Driving exceptional customer experience

Our established tools make it easy to do business with us, starting with a focus on seamless data transfer between customer and Paragon systems. Continuous monitoring alerts us to the successful receipt of data onto our systems and the start of a processing window. Transparent Management Information (MI) systems allow our customers to follow data receipt, cleansing, processing and output of finished products, often in real-time, to give them the highest and most valuable level of understanding and control across their entire Paragon activity.

This quality of MI is also invaluable internally giving detailed service performance metrics, highlight trends and help us take preventative actions, supporting our focus on delivering exceptional customer service at all times.

We use a range of in-house technologies to enable collaboration between teams located across our global footprint. This allows us to deploy skills remotely, delivering through local teams and at our customers' sites and using nearshore resources for data processing and solution development. We can assure customers of dedicated local resource continuity and call on our skilled operating teams across the Group to scale up and down to meet changing work volumes.

With a small technology partner community working alongside our staff, we can scale solutions up and down rapidly while remaining in full control of customer projects. This combination of trusted partners and increased use of suitable cloud services allows us to assure service quality and data integrity worldwide. This is a powerful proposition in response to the trend for major brands to seek control, consolidation and standardisation across global supply and delivery.

During the year we welcomed Andrew Marks as Group CIO – Andrew brings a wealth of experience from his time at Tullow Oil and Accenture. We also said farewell to Jonathan Stuart, our previous CTO after an outstanding 17 year career with Paragon. We thank Jonathan and wish him the best for the future.

digital customer experience

PEP

Principal risks
& 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.	• Loss of revenues if the quality and relevance of our products diminishes.	• Robust data integrity platforms and processes. • Continued investment in recruiting and retaining high-quality 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.	• Failure to recruit or retain key staff could lead to reduced innovation and progress in the business.	• The Group is rapidly expanding, and the success of this expansion will be determined by the groups ability to manage and motivate our people in order to achieve the Groups performance objectives. • The Group operates a competitive remuneration package and incentive schemes for management personnel. • The Group continues to strengthen the Senior Leadership Team to encourage motivation and engagement with the business.
Competition and clients The Group operates in highly competitive markets.	• Loss of market share due to changing markets. • Reduced financial performance arising from competitive threats.	• 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 Groups 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.
Economic and global political changes The Group's businesses operate in the UK, France, Germany, Spain Ireland, Benelux, Czech Republic, Poland, Romania, Scandinavia, USA and has a sales office in Australia.	• 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.	• The Group provides high-quality data and analytics services, which are embedded in the day-to-day operations of our clients. In times of uncertainty, we aim to provide clarity and insight. • Management of headcount and overheads. • Increased controls over capital expenditure and working capital. • We operate in different geographies and therefore operate in a balanced portfolio of markets.

Risk description	Potential impact	Mitigation
Brexit	• 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.	• 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	• Significant operational disruption caused by a major disaster.	• 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	• The Group may be subject to regulations restricting its activities or effecting changes in taxation.	• The majority of the Group's operations are based in the United Kingdom, France, Germany, the Netherlands and Romania. Appropriate advisors are employed in all geographies to ensure the Group remains compliant with local laws and regulations.
Acquisition and disposal risk	• The failure to successfully identify and integrate key acquisitions could lead to loss of profits, inefficient business processes, inconsistent corporate culture and weakened brand.	• 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.

Sustainability: Paragon is a global operation with global impacts. We have a responsibility not just to build a sustainable business but to contribute to a sustainable economy and planet and have continued to implement standards and governance to support our and our customers' sustainability obligations and aspirations...

Sustainability, people and *Governance, Risk & Compliance (GRC)*

Sustainability Governance

Paragon's Sustainability Strategy is promoted by our Board of Directors and is aligned to the United Nations' Sustainability Development Goals (SDGs). We have assessed the 169 targets that underpin the 17 SDGs, analysing our internal and supply chain activities to identify where we can directly or indirectly influence each target.

EcoVadis Gold Rating

Paragon has advanced level membership of EcoVadis, which provides Supplier Sustainability Ratings for Environment, Fair Labour & Human Rights, Ethics and Sustainable Procurement.

We are proud to have been awarded a gold rating for a third consecutive year, putting Paragon in the top 5% of around 50,000 companies assessed globally.

Certifications*

Our ISO certifications provides objectives, targets and a continual improvement framework across Paragon Group, driving real improvements throughout the business.

Paragon holds ISO 14001 (Environmental Management), ISO 50001 (Energy Management), FSC and PEFC certification at all of our production locations, with our ISO programmes integrated to unlock efficiency and best practice across all key areas:

- Process and performance efficiency
- Reduction in use of raw materials and energy
- Staff training, development and retention
- Client satisfaction and incident management
- Legislative compliance
- Reduced operating costs

Driving our Customers' Sustainability

By maintaining the best solutions, technology, equipment and processes in the market, we naturally improve the sustainability our customers' activities by ensuring the most efficient and dematerialised communications possible. We use data targeting, LEAN production methodologies, white paper solutions, smart technologies and the latest equipment to drive dematerialisation and industry-leading efficiency.

Lifecycle Carbon Reporting

Paragon has continued to develop the scope of our CO_2 measurements to assess the lifecycle footprint of each product and service.

Our operational site investments have delivered a directly attributable 6.8% reduction in CO_2 emissions, including through upgraded air conditioning, heating and LED lighting.

Please see our 2019 Sustainability Report for detailed information across our sustainability and CSR performance.

Waste Management

We continue to eliminate and re-use waste at every opportunity: for example, even while production throughput increased 9% in 2018, paper waste reduced 10.8%. All staff are trained in waste management, legislative requirements and the impact of waste on our local and global environment, helping us achieve a 98% recycling rate across the company, with over 95% for the last five years.

Internal Sustainability Initiatives

Reducing single use plastic

We are committed to reducing unnecessary packaging and single use plastics and have given all staff a reusable water bottle and hot drinks mug, allowing plastic cups to be removed from vending machines. We are removing single use plastics from our catering activities, have introduced re-usable crates for internal movement of goods and stock and are working with our supply partners to reduce packaging.

Company cars

Employees with a company car must undergo skills training to drive in as environmentally friendly a way as possible, limit driving where possible, choose environmentally friendly cars and receive regular information about their fuel consumption and CO_2 emissions.

* Certifications are only relevant in certain countries

PCC Dagenham
& Saint Francis Hospice

PCC Dagenham is proud to be working with Saint Francis Hospice in Romford, Essex, which provides health and social care services to individuals with life-limiting illnesses, as well as supporting their carers and family. In three years, PCC Dagenham staff have raised nearly £60,000 through regular fund raising events.

Supply chain governance

We have begun to migrate our supply chain due diligence programme to an online system with a comprehensive framework to identify and mitigate risks. Suppliers must now work within the Paragon Supplier Code of Conduct regarding fair labour practices, data governance, legislative compliance, environmental and social responsibility and fair business practices.

Health, safety & well-being

We take the health & safety of our staff extremely seriously. A Group-wide taskforce has promoted safe working practices over the last year, with all production sites achieving the BPIF Health & Safety Seal of Excellence. Five production sites hold BS 18001/ISO 45001 (Occupational Health and Safety), with all other sites to follow.

Our workplace provides an opportunity to give support and advice to every member of our team and through our new Group-wide Be Well programme. In 2018 a voluntary survey assessed our staff's physical and mental health, with over 80% feeling mentally on track. We provide mental health first aiders and advice at all locations, including an independent help line, and offer a range of programmes such as gym membership and free fruit.

Community

Paragon is committed to being a thoughtful, responsible and active part of the communities in which we live and work. Staff are encouraged to pursue their philanthropic passions and we support individuals and workplace teams in giving back to others and bringing our company values to life. All Paragon sites have a nominated charity, with organised fundraising and volunteering events throughout the year.

Legislative compliance is critical across Paragon Group and to our customers...

Inclusion & diversity

Across Paragon Group, we are deeply committed to inclusivity and fair opportunity for all, recognising the vital contribution that diversity makes to our business and our customers.

Paragon is an equal opportunities employer, treating everyone fairly and equitably. We employ the right person for the right job regardless of gender, sexual orientation, ethnicity or any other factor. We offer appropriate opportunities at Paragon for vulnerable and disadvantaged groups, including temporary and flexible projects. Paragon is about to become a Stonewall Partner and is proud to boast a richly diverse workforce.

Gender pay gap

While our Gender Pay Gap compares relatively well within the key job functions identified, we are conducting a full review of policies and procedures, an inclusive leadership programme for all directors and an expansion of our Learning & Development team to address skills shortage and promote fair and equal opportunities for male and female employees. Please see our Gender Pay Gap report for further detail.

Legislative compliance

Legislative compliance is critical across Paragon Group and to our customers.

Our GRC team ensures new or amended regulatory requirements are implemented within the business, using our ISO 14001 framework and quarterly audits to deliver the controls and training programmes to drive compliance at all locations.

Anti-bribery & corruption

Paragon operates a framework to identify roles with an intrinsically higher exposure to corrupt practices, which particularly includes corporate hospitality and gifts within our customer entertainment and supply chain. Our internal audit programmes, reviewed annually, ensure these activities do not contravene legislation, our Code of Conduct or our customers' practices.

Modern slavery

Paragon Group is committed to ensuring there is no slavery, servitude, forced or compulsory labour or human trafficking in our supply chains or within any part of our operations and, enforce effective systems and controls to minimise the risk. Our policies and practices include our recruitment and selection policy, equal opportunities policy, staff handbook, Supplier Code of Conduct and whistle-blowing policy.

All companies within Paragon Group have been audited by a dedicated compliance team to assess their employment arrangements and Human Resources policies, with the risk of any of these offences occurring determined to be low. Supply partners operating in countries or industries with a high risk of modern slavery undergo further due diligence to ensure their employment practices are in line with the International Labour Organisations recommendations.

By order of the board

Patrick J Crean
Chairman and Chief Executive Officer

16 December 2019


acquisition
people
scale
our

Paragon Group financial statements

for the period 1 July 2018 to 30 June 2019

The Directors present their report
for the year ended 30 June 2019

Directors

Patrick J Crean
(Chairman and Chief Executive Officer)

Laurent T Salmon
(Chief Financial Officer)

Seán Shine
(Chief Operating Officer)

Nelson Loane
(Non Executive Director)

Company Secretary

Richard Cahill

Auditors

Grant Thornton UK LLP
Chartered Accountants &
Senior Statutory Auditor
30 Finsbury Square, London,
EC2A 1AG, United Kingdom

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92120 Montrouge, France

Barclays Bank plc
Leicester, Leicestershire, LE87 2BB,
United Kingdom

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1 Cornhill, London, EC3V 3ND,
United Kingdom

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

Registered Office

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

The Directors present their report
for the year ended 30 June 2019 (continued)

Directors of the Company

The Directors present their report and the financial statements for the year ended 30 June 2019. The Directors of the Company are listed opposite.

Results and dividends

The profit for the year after taxation for continuing operations amounted to €11,549,000 (2018: profit of €9,737,000). The loss for the year on operations that had been discontinued in the prior year amounted to €215,000 (2018: loss of €2,371,000). The EBITDA[1] for the year for continuing operations amounted to €50,210,000 (2018: €39,072,000). No dividend was paid during the year (2018: €nil).

The Directors are not recommending the payment of a dividend in respect of the financial year ended 30 June 2019 (2018: nil).

Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. KPIs measure past performance and provide information to manage the business. Sales, EBITDA[1], Underlying EBITDA[2] and free cash flow are the key indicators management use to measure performance. KPIs for the financial year ended 30 June 2019 are shown in the table below, along with prior year comparatives.

	2019 €000	2018 €000	Change %
Sales of goods and services	837,875	673,095	+24%
EBITDA[1]	50,210	39,072	+29%
Underlying EBITDA[2]	50,011	42,270	+18%
Free cash flow[3]	45,368	54,367	-17%

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.

Brexit

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. 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.

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.

1. EBIT and EBITDA are defined in note 2(q) on page 81.
2. Underlying EBITDA is defined in note 2(r) on page 81.
3. Defined as cash generated from operations on page 73.

The Directors present their report
for the year ended 30 June 2019 (continued)

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

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

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

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 loan notes, 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 forward currency contracts. The purpose is to manage the 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. .

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

The Directors present their report
for the year ended 30 June 2019 (continued)

Events since the Consolidated Statement of Financial Position

On 25 October 2019, the Group acquired RR Donnelley's European Global Document Solutions (GDS) business. GDS has locations in the UK, France, Spain, Germany, Netherlands, Poland and Italy and employs approximately 1,500 people with a turnover of €240 million in 2018. Initial consideration amounts to €38 million. This is subject to adjustment on closing of the completion acquisition balance sheet. Accordingly, no purchase price allocation exercise has yet been undertaken as the acquisition balance sheet is not fully finalised. The acquisition of the RR Donnelley's Customer Communication activities in Europe also enabled Paragon Group to enter into a strategic alliance with RRD, offering RRD's global customers the largest solution and service platform in Europe. This deal has been considered as a significant post balance sheet event due to its size and commercial importance, both to the Group and the readers of the annual financial statements.

On 31 October 2019, the Group also acquired Thames Card Technology via Paragon ID. Initial consideration amounts to €4.2 million. No purchase price allocation exercise has yet been undertaken as the acquisition balance sheet has not been finalised. Thames Card Technology has a turnover of €17 million and operates within the smart card market sector. Paragon ID is expected to expand within the retail and banking market sectors, capitalising on its RFID expertise.

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. 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 on 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 flows during the year. In 2019 the Group generated cash from operations of €45,368,000 (2018: €54,367,000).

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.

Directors' responsibilities statement

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

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

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

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

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

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

Auditors

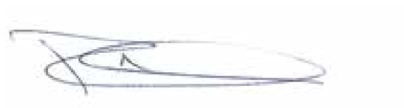
A resolution to reappoint Grant Thornton UK LLP as auditors will be put to the members at the Annual General Meeting.

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 60. 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

16 December 2019

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 2019, 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 the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, 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 2019 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.

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.

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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 64, 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.

Use of our report

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.

Paul Naylor

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London

16 December 2019

Consolidated income statement

for the year ended 30 June 2019

	Notes	2019 €000 *Underlying*	2019 €000 *Non-underlying*	2019 €000 *Statutory*	2018 €000 *Underlying*	2018 €000 *Non-underlying*	2018 €000 *Statutory*
Revenue from sale of goods and services	3	**837,875**	**–**	**837,875**	**673,095**	**–**	**673,095**
Material costs		423,817	–	423,817	309,928	851	310,779
Payroll	5	252,704	12,443	265,147	219,765	6,961	226,726
Other operating costs	4, 8	111,343	4,924	116,267	101,132	4,066	105,198
Other operating income	8	–	(17,566)	(17,566)	–	(8,680)	(8,680)
Operating costs		**787,864**	**(199)**	**787,665**	**630,825**	**3,198**	**634,023**
EBITDA[1]	8	**50,011**	**199**	**50,210**	**42,270**	**(3,198)**	**39,072**
Depreciation and amortisation	4	30,844	–	30,844	23,878	–	23,878
EBIT[1]/Operating profit	4	**19,167**	**199**	**19,366**	**18,392**	**(3,198)**	**15,194**
Gain/(loss) on asset disposals	8		734	734	–	(41)	(41)
Share of equity accounted investments	14	391	–	391	154	–	154
Finance income	6	43	–	43	797	–	797
Finance cost	7	(10,513)	–	(10,513)	(7,131)	–	(7,131)
Profit before tax	9	**9,088**	**933**	**10,021**	**12,212**	**(3,239)**	**8,973**
Income tax credit/(charge)	9	1,274	254	1,528	(1,249)	2,013	764
Profit for the year from continuing operations		**10,362**	**1,187**	**11,549**	**10,963**	**(1,226)**	**9,737**
Losses on discontinued operations	10	–	(215)	(215)	–	(2,371)	(2,371)
Profit for the year		**10,362**	**972**	**11,334**	**10,963**	**(3,597)**	**7,366**
Attributable to:							
Owners of the parent		**10,782**	**972**	**11,754**	**10,746**	**(2,394)**	**8,352**
Non-controlling interests – Continuing operations		(420)	–	(420)	217	(1,203)	(986)
Profit for the year		**10,362**	**972**	**11,334**	**10,963**	**(3,597)**	**7,366**

1. EBIT and EBITDA are defined in note 2(q) on page 81.

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	2019 €000	2018 €000
Profit for the year	**11,334**	**7,366**
Items that will not be reclassified subsequent to profit or loss		
Actuarial (loss) recognised on pension scheme (note 23 , 25)	(849)	(241)
Deferred tax arising thereon	107	40
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(39)	1,045
Other comprehensive income for the year	**(781)**	**844**
Total comprehensive income for the year	**10,553**	**8,210**
Attributable to:		
Owners of the parent	10,973	9,273
Non-controlling interests	(420)	(1,063)
	10,553	**8,210**

Consolidated statement of financial position

for the year ended 30 June 2019

	Notes	2019 €000	2018 €000
Assets			
Non-current assets			
Property, plant and equipment	11	95,385	73,315
Goodwill	13	92,397	81,002
Other intangible assets	15	55,393	41,626
Financial investments	14	5,387	1,192
Retirement benefits surplus	25	816	1,027
Deferred tax assets	24	4,453	3,762
Other non-current assets	18	560	461
		254,391	**202,385**
Current assets			
Inventories	17	39,683	33,257
Trade and other receivables	18	119,090	102,133
Income tax receivable		4,201	3,566
Cash and cash equivalents	18	100,323	116,655
		263,297	255,611
Assets held for sale	16	5,103	5,285
		268,400	**260,896**
Total assets		**522,791**	**463,281**
Liabilities			
Current liabilities			
Obligations under finance leases	21	3,000	2,794
Borrowings	20	32,598	32,373
Trade and other payables	19	181,209	147,991
Income tax payable		1,134	2,198
Deferred income	22	3,767	3,698
Provisions	23	3,367	6,247
		225,075	**195,301**

continued...

Consolidated statement of financial position

for the year ended 30 June 2019 (continued)

	Notes	2019 €000	2018 €000
Non-current liabilities			
Borrowings	20	160,202	152,165
Obligations under finance leases	21	5,948	7,168
Provisions	23	10,736	7,284
Deferred consideration	19	5,659	4,663
Deferred income	22	1,052	1,158
Deferred tax liabilities	24	7,865	3,017
Retirement benefits deficit	25	4,261	802
		195,723	**176,257**
Total liabilities		**420,798**	**371,558**
Net assets		**101,993**	**91,723**
Equity			
Share capital	27	30,000	30,000
Capital reserve	27	23,867	23,867
Capital redemption reserve	27	1,750	1,750
Cumulative translation reserve	27	1,072	1,111
Retained earnings	27	45,072	34,343
Non-controlling interests		232	652
Total equity		**101,993**	**91,723**

These financial statements were approved by the Board of Directors on 16 December 2019 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 2019

Attributable to the equity holders of the parent

	Share capital	Capital reserve	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Total	Non-controlling interests	Total Equity
	€000	€000	€000	€000	€000	€000	€000	€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**

Attributable to the equity holders of the parent

	Share capital	Capital reserve	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Total	Non-controlling interests	Total Equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance as at 30 June 2018	**30,000**	**23,867**	**1,750**	**34,343**	**1,111**	**91,071**	**652**	**91,723**
Profit/(loss) for the year	–	–	–	11,754	–	11,754	(420)	11,334
IFRS 9 taken to reserves	–	–	–	(283)		(283)	–	(283)
Other comprehensive income for the year	–	–	–	(742)	(39)	(781)	–	(781)
Balance at 30 June 2019	**30,000**	**23,867**	**1,750**	**45,072**	**1,072**	**101,761**	**232**	**101,993**

Consolidated statement of cash flow

for the year ended 30 June 2019

	Notes	2019 €000	2018 €000
Profit from continuing activities before tax		**10,021**	**8,973**
Adjustments for:			
Loss before tax from discontinued operations	10	(215)	(2,379)
Depreciation of property, plant and equipment	11	19,604	18,476
Non-cash gains on acquisitions	8	(17,566)	(8,680)
Amortisation of intangible assets	15	11,284	6,111
(Gain)/loss on assets disposal	8	(734)	41
Amortisation of government grants	22	(44)	(72)
Share of equity accounted investments	14	(391)	(154)
Net finance costs	6, 7, 10	10,470	6,371
Operating cash inflows before movements in working capital		**32,429**	**28,687**
(Increase)/decrease in inventories		(2,421)	837
Decrease in receivables		7,217	48,232
Increase/(decrease) in payables		12,794	(19,028)
(Decrease) in deferred income		(67)	(1,635)
Cash contributions to defined benefit pension schemes		(73)	(62)
(Decrease) in other provisions	23	(4,511)	(2,664)
Cash generated from operations		**45,368**	**54,367**
Interest paid		(10,374)	(5,899)
Interest income		30	54
Income tax paid		(957)	(1,773)
Net cash generated by operating activities		**34,067**	**46,749**
Cash flows from investing activities			
Payments for property, plant and equipment, and intangibles		(21,711)	(21,753)
Proceeds from disposal of property, plant and equipment and intangibles		1,681	1,298
Proceeds from disposal of assets held for sale		–	3,509
Payments for purchase of assets held for sale	16, 31	(1,380)	–
Proceeds from government grants	22	–	226
Proceeds from disposal of investments		–	57
Payment for purchase of investments	14	(3,911)	(300)
Payments for acquisition of subsidiaries, net of cash acquired	12	(28,282)	(16,940)
Dividends received from associates	14	112	374
Net cash used in investing activities		**(53,491)**	**(33,529)**

continued...

Consolidated statement of cash flow
for the year ended 30 June 2019 (continued)

	Notes	2019 €000	2018 €000
Cash flows from financing activities			
Repayments of capital element of finance leases		(5,145)	(8,027)
Repayment of borrowings		(7,035)	(24,811)
Proceeds from borrowings		13,274	5,010
Proceeds from bond		–	88,393
Net cash generated by financing activities		**1,094**	**60,565**
Net (decrease)/increase in cash and bank overdrafts		**(18,330)**	**73,785**
Cash net of bank overdrafts at the beginning of the year		**108,430**	**34,710**
Net (decrease)/increase in cash and bank overdrafts		(18,330)	73,785
Effect of exchange rate changes on cash and bank overdrafts held in foreign currencies		99	(65)
Cash net of bank overdrafts at the end of the year		**90,199**	**108,430**

Analysis of net debt

	At 1 July 2018 €000	Cash flow €000	Exchange difference €000	Non cash €000	Acquisition movements €000	At 30 June 2019 €000
Cash and cash equivalents	116,655	(30,266)	140	–	13,794	100,323
Bank overdrafts	(8,225)	(1,858)	(41)	–	–	(10,124)
Cash net of bank overdrafts	**108,430**	**(32,124)**	**99**	**–**	**13,794**	**90,199**
Bank loans	(36,552)	(6,239)	50	(174)	–	(42,915)
Bonds net of unamortised issue costs	(139,761)	–	–	–	–	(139,761)
Obligations under finance leases	(9,962)	5,145	76	(738)	(3,469)	(8,948)
Net debt	**(77,845)**	**(33,218)**	**225**	**(912)**	**10,325**	**(101,425)**

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 of €206,000 (2018: €141,000), new obligations under finance lease incurred during the year of €706,000 and non-cash re-classifications between bank loans and obligation under finance leases.

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 2019 comprise those of the Company and its subsidiaries (together referred to as 'the Group').

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

The financial statements were authorised for issue by the Directors on 16 December 2019.

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 133 to 140.

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 2019:

- IFRS 2: Classification and measurement of share based payments
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRIC 22: Foreign currency transactions and advance consideration
- Annual improvements to IFRSs 2014 – 2016 Cycle (Amendments to IFRS 4 and IAS 40).

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

Adoption of IFRS 9

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classifications and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classifications, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following area:

- The impairment of financial assets applying the expected credit loss model. This effect the Groups trade receivable assets measured at amortised cost. IFRS 15 did not impact this new treatment under IFRS 9.

On the date of initial application, 1 July 2018, the financial instruments of the Group were reclassified as follows:

	Original IAS 39 category	**New IFRS 9 category**	**Closing balance 31 June 2018**	**Adoption of IFRS 9**	**Opening balance 1 July 2018**
			€000	**€000**	**€000**
Current Financial assets					
Trade and other receivables	Amortised costs	Amortised costs	77,452	(283)	77,169

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 July 2018

	IAS 39 carrying amount 30 June 2018	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount 1 July 2018**	**Retained earnings effect**
	€000	**€000**	**€000**	**€000**	**€000**
Total financial asset balances, reclassifications and remeasurement at 1 July 2018	77,452	–	–	77,169	(283)

On the date of initial application, 1 July 2018, the financial liabilities were reviewed for risk of non payment. No measurement or re-classifications were noted.

Adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. It also requires identifying the performance obligations in the contract and allocating a transaction price to those obligations. The adoption of the new standard did not have a significant impact on the Group's Consolidated Financial Statements.

1 *General information (continued)*

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2019, and have not been applied in preparing these consolidated financial statements.

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.

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

- IFRS 17: Insurance contracts (effective for the Group's 2021 Consolidated Financial Statements)

(b) Subject to ongoing assessment by the Group:

- IFRS 16 is effective for accounting period beginning on or after 1 January 2019. The date of initial application of IFRS 16 is 1 July 2019.

IFRS 16 prescribes a single lessee accounting model that requires the recognition of a right-of- use asset and corresponding liability for all lease with terms over twelve months, unless the underlying asset is of low value. The liability is initially measured at the present value of future lease payments for the lease term. The right-of-use asset is amortised, with the amortisation charge and the interest on the corresponding liability being recognised in the income statement over the lease term. In the cash flow statement, the total amount of cash paid in respect of lease payments is separated into a principal portion within financing activities, and an interest portion within operating activities.

The Group will adopt the modified retrospective approach to application, using technical reliefs available. It will not restate comparatives but will recognise a cumulative adjustment to the opening balance of retained earnings at 1 July 2019. The Group will also make use of the reliefs not to reassess whether a contract contains a lease, and therefore the definition of a lease under IAS 17 will continue to apply to lease entered into before the date of transition. Additionally, the Group will make use of the relief to exclude any leases with a remaining term less than twelve months at the date of transition.

The Group significant leases relate to property, plant and equipment and the undiscounted commitments under non-cancellable operating leases in accordance with IAS 17 total €57,619,000 for continuing operations at 30 June 2019 (2018: €61,629,000).

On implementation of IFRS 16 there will be a material increase in lease liabilities in the region of €62,000,000, along with a corresponding increase in right-of-use assets within property, plant and equipment. EBITDA[1] will increase in the region of €19,000,000 with a corresponding increase in annual amortisation.

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 30 June 2019. 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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five step model to be applied to all sales contracts. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods and services previously included in IAS 18 Revenue.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

2 *Significant accounting policies (continued)*

The major change is the requirement to identify and assess the satisfaction of delivery of each performance obligation in contracts in order to recognise revenue.

Following an assessment of the financial impact of the changes required from the adoption of this new standard, there is no material change to the Consolidated income statement of the Group.

A performance obligation is a promise in a contract with a customer to transfer to the customer either goods or services. A performance obligation can either be a distinct good or service or series of distinct goods or services that are substantially the same that have the same pattern of transfer to the customer.

Revenue is recognised over time when a performance obligation is satisfied by the customer simultaneously receiving and consuming the benefits over the period of the contract.

When a payment is received in advance of a performance obligation being satisfied it is recorded on the balance sheet as deferred revenue. Revenue is then recognised at the point in time or over the period that the performance obligation is satisfied.

Revenue Recognition

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.

The Group revenue comprises of three different types of products and services across all three divisions.

Paragon Customer Communications

Within Paragon Customer Communications revenue is recognised based on its revenue streams.

The Customer Engagement and Marketing revenues include creative and studio services, marketing planning, analytics execution and procurement, digital marketing, direct mail and marketing print, logistics, fulfilment and supply chain management and tech consulting and marketing services.

Business Process and Transactions revenues include transaction services, secure and regulatory communications, strategic and security document printing, document solutions, omnichannel inbound, BPO/BPS physical and digital, postal optimisation, consulting and integration.

Digital Customer Experience revenues include data insights, data management, secure data processing and archiving, data compliance, digital platform development and data technology services.

In all cases the performance obligation is generally defined at the level of each good and is not bundled. Revenue is recognised when control of the asset is transferred and this typically occurs on delivery. No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Customer advance payments are recognised as liabilities until the performance obligations have been completed and revenue recognised. Customers are not offered a contract with significant funding components. There are no warranties in place.

Paragon ID

Within Paragon ID revenue is recognised based on its revenue streams:

- For the sale of passports, driving licenses, cards, tickets, validators, labels, traceability solutions and bank cards the performance obligation is generally defined at the level of each individual good and not at the level of a bundle of goods. Revenue is recognised when the control of the asset is transferred which occurs most often on delivery.
- For banking technology licenses for which the performance requirements are based on sales levels of the products under license by the subscribers of these licenses. The IP licence is therefore a sales-based royalty recognised based on sales made by the customer in accordance with IFRS 15.

Within Paragon ID revenue is recognised based on its revenue streams.

No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Customer advance payments are recognised as liabilities until the performance obligations have been completed and revenue recognised. Customers are not offered a contract with significant funding components. There are no warranties in place.

Paragon Graphics

Within Paragon Graphics revenue is recognised based on its revenue streams.

For the sale of on-demand, whether in walk-in print centres in metropolitan areas or in industrial facilities, of complex display graphics, books, promotional products, mail solutions and pressure seal technologies the performance obligation is generally defined at the level of each good and is not bundled. Revenue is recognised when control of the asset is transferred and this typically occurs on delivery. No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Customer advance payments are recognised as liabilities until the performance obligations have been completed and revenue recognised. Customers are not offered a contract with significant funding components. There are no warranties in place.

(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.

2 *Significant accounting policies (continued)*

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) Investment in trade investments, 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. Trade investments are carried at fair value.

(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.

2 *Significant accounting policies (continued)*

(g) Inventories

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

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

(h) Tax

The tax expense in the Consolidated income statement comprises current tax and deferred tax.

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

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

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

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

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

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

(i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated. Where the time value of money is material, provisions are discounted at a pre-tax rate. When a provision needs to be released, the provision is taken back to the Consolidated income statement within the line where it was initially booked.

Provisions for restructuring costs

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.

2 *Significant accounting policies (continued)*

(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.

Factoring and invoice discounting arrangements

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 Group is party to invoice discounting arrangements where advances are received with recourse. Where receivable balances have been sold and the risk and rewards have not been transferred, the advances are held as borrowings.

Trade payables

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

Financial assets held at amortised cost (previously known as loans and receivables under IAS 39)

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.

(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.

2 *Significant accounting policies (continued)*

(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 changes in equity since the date of acquisition.

(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 as a bargain purchase. Please see note 8 to the financial statements for further detail in relation to bargain purchase.

2 *Significant accounting policies (continued)*

(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. Please see note 13 to the financial statements for further details.

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.

Non-underlying item presentation

IAS requires material items to be disclosed separately in a way that enables the 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.

Credit losses

In determining an appropriate provision for credit losses reliance has to be placed on estimates and judgements on payment history, current customer relationships, latest market intelligence and the availability of credit insurance. Please see note 26 to the financial statements for further details.

(x) Critical accounting estimates

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. Please see note 24 to the financial statements for further details.

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 deficit in the Consolidated statement of financial position for retirement benefits scheme is €3,445,000 (2018: surplus €225,000). Please see note 25 to the financial statements for further details.

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 for customer relationships and other intangibles especially where open market valuations are not readily accessible. Please see note 12 to the financial statements for further details.

Valuation of inventory

At any point in time, the Group has significant levels of inventory, including work in progress. Manufacturing is a complex process and the final product is required to be made to exacting specifications and tolerance levels. In valuing the work in progress at the balance sheet date, assessments are made over the level of waste contained within the product based on the production performance to date and past experience.

In assessing the recoverability of finished goods assessments are made to validate that inventory is correctly stated at the lower of cost and net realisable value and that obsolete inventory, including inventory in excess of requirements, is provided against.

3 *Revenue*

An analysis of the Group's revenue from continuing operations as defined by IFRS 15 – 'Revenue Recognition'. 'Revenue' is as follows:

	2019 €000	2018 €000
Continuing operations		
Paragon Customer Communications	627,837	489,719
Paragon ID	105,638	98,330
Paragon Graphic Services	103,240	84,427
Rental income	1,160	619
Total revenue	**837,875**	**673,095**
Share of revenue from joint ventures	**3,409**	**1,063**

4 *Operating profit*

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

	2019 €000	2018 €000
Auditor's remuneration:		
Audit fees:		
– Audit of the Group accounts	125	113
– Audit of the accounts of the Company's subsidiaries by Grant Thornton UK LLP	479	351
– Audit of the accounts of the Company's subsidiaries by the Group auditors	320	195
– Audit of the accounts of the Company's subsidiaries by others	540	532
Non audit fees to Group auditors:		
Corporate finance transactions	259	–
Other assurance services	10	5
Audit related assurance services	9	–
Other non-audit services not covered elsewhere	1	–
Tax compliance services	14	–
Foreign exchange loss	166	91
Exceptional net (gains)/expenses (note 8)	(199)	3,198
Depreciation of property, plant and equipment (note 11)	19,604	17,839
Amortisation of intangible assets (note 15)	11,284	6,111
Amortisation of government grants (note 22)	(44)	(72)
Depreciation and amortisation	**30,844**	**23,878**
Operating lease minimum rentals:		
– land and buildings	12,210	10,923
– plant and equipment	6,750	5,977
Operating lease contingent rentals plant and equipment	2,092	1,758
Sublease rental income	(1,160)	(619)
Total lease and sublease payments recognised in the Consolidated income statement	**19,892**	**18,039**

5 *Staff costs*

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

	2019 No.	2018 No.
Production	4,703	4,564
Administration	1,300	1,110
	6,003	**5,674**

Their aggregate remuneration comprised:

	2019 €000	2018 €000
Wages and salaries	218,844	186,635
Social security costs	43,276	37,187
Other pension costs	3,568	2,904
	265,147	**226,726**

Directors emoluments:

	2019 €000	2018 €000
Remuneration	2,310	1,978
Company contributions paid to money purchase scheme	26	54
	2,336	**2,032**

	2019 No.	2018 No.
Members of money purchase pension schemes	**2**	**2**

The remuneration from the Company of the highest paid director in the amount of €1,257,000 (2018: €1,259,000) includes amounts paid to related parties in which the director also operates as a director of €1,200,000 (2018: €1,200,000). The contributions paid into money purchase pension schemes for the highest paid director were €1,000 (2018: €1,000).

6 *Finance income*

	2019 €000	2018 €000
Interest on bank deposits	7	28
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	22	26
Other interest income	14	111
	43	**797**

7 *Finance cost*

	2019 €000	2018 €000
Bank loans and overdrafts	3,210	2,850
Finance charge on leased assets	297	413
Net interest on retirement provisions and defined benefit pension schemes (note 23, 25)	52	4
Notional interest on long term receivable and deferred consideration	26	115
Bond interest	6,256	2,998
Foreign exchange losses on retranslation of intercompany loan balances	466	610
Amortisation of capitalised bond issue costs	206	141
	10,513	**7,131**

8 *Non-underlying items impacting EBITDA[1]*

Non-underlying items are those which in the opinion of the Directors are non-underlying due to their nature, size or incidence. Whilst cost 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:

	2019 €000	2018 €000
Redundancy and related charges (a)	12,443	6,961
Costs of industrial relocation and consolidation (b)	4,031	3,650
Acquisition related fees (c)	635	720
Other (d)	258	547
Gain on acquisition (e) (note 12)	(17,566)	(8,680)
Non-underlying net (gains)/expenses impacting EBITDA[1]	**(199)**	**3,198**
(Gain)/loss on asset disposals (f)	(734)	41
Non-underlying net (gains)/expenses	**(933)**	**3,239**
Income tax credit	(254)	(2,013)
	(1,187)	**1,226**

(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, restructuring 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.
(f) (Gain)/loss on asset disposals arose on the sale of property, plant and equipment.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

9 *Income tax (credit)*

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

	2019 €000	2018 €000
Current tax		
Current period	945	2,105
Adjustments for current tax on prior periods	(1,162)	239
Total current tax (credit)/charge	**(217)**	**2,344**
Originate and reversals of temporary differences	(874)	(2,929)
Adjustments for deferred tax on prior periods	(437)	(179)
Total deferred tax credit (note 24)	**(1,311)**	**(3,108)**
Total income tax (credit)	**(1,528)**	**(764)**

The (credit) can be reconciled to the profit before tax as shown in the Consolidated income statement as follows:

	2019 €000	2018 €000
Profit before tax	**10,021**	**8,973**
Tax calculated at a rate of 19% (2018 – 19%)	1,904	1,705
Non-taxable income	(3,737)	(3,718)
Non-deductible expenses	1,749	(652)
Effect of changes in tax rates	10	–
Losses carried forward not recognised	1,785	2,329
Utilisation of previously unrecognised losses	(1,884)	(972)
Effect of different tax rates of subsidiaries	250	484
Foreign exchange differences	(6)	–
Adjustments in respect of prior periods	(1,599)	60
Total income tax (credit)	**(1,528)**	**(764)**

Income tax on the profit as shown in the Consolidated statement of comprehensive income is as follows:

	2019 €000	2018 €000
Deferred tax (credit) on origination and reversal of temporary differences (note 24)	**(107)**	**(40)**

The standard rate of UK corporation tax for the period was 19% (2018: 19%). A reduction in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the Group's UK deferred tax balance at the balance sheet date.

10 Analysis of loss for the year from discontinued operations

The results of the discontinued operations of the previous year (Beijing ASK Smart Technology Co. Limited and KSB Group BV) included in the profit for the year are included in the income statement set out below. The results included in the profit for the year include the Beijing ASK Smart Technology Co. Limited costs incurred to complete closure.

	2019 €000	2018 €000
Discontinued operations:		
Revenue from sale of goods and services	**–**	**1,342**
Material costs	–	781
Payroll	104	1,543
Other operating costs	119	723
Operating costs	**223**	**3,047**
EBITDA[1]	**(223)**	**(1,705)**
Depreciation and amortisation	–	637
EBIT[1]/Operating loss	**(223)**	**(2,342)**
Gain on assets disposal	8	–
Finance cost	–	37
Loss before tax	**(215)**	**(2,379)**
Income tax credit	–	8
Loss for the year from discontinued operations	**(215)**	**(2,371)**
Cashflows from discontinued operations		
Net cash outflows from operating activities	(223)	(1,457)
Net cash inflows from investing activities	8	45
Net cash outflows from financing activities	–	(29)
Net cash outflows	(215)	(1,441)

1. EBIT and EBITDA are defined in note 2(q) on page 81.

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 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	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**
Additions	1,280	15,013	1,943	18,236
Transfers	(2,635)	3,628	(119)	874
Acquisitions (note 12)	12,352	8,661	1,664	22,677
Disposals	(83)	(19,438)	(1,156)	(20,677)
Exchange movements	(58)	(851)	(18)	(927)
At 30 June 2019	**68,855**	**177,316**	**10,151**	**256,322**
Accumulated depreciation and impairment:				
At 1 July 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**
Charge for the period	3,428	14,614	1,562	19,604
Transfers	(4,084)	3,202	74	(808)
Disposals	(64)	(18,995)	(751)	(19,810)
Exchange movements	(100)	(776)	3	(873)
At 30 June 2019	**30,128**	**124,945**	**5,864**	**160,937**
At 30 June 2019	**38,727**	**52,371**	**4,287**	**95,385**
At 30 June 2018	**27,051**	**43,403**	**2,861**	**73,315**

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 €6,387,000 (2018: €6,425,000), which has not been depreciated. The amount of fully depreciated machinery and equipment and fixtures and fittings is €127,389,000 (2018: €103,927,000).

The net book value of machinery and equipment above includes an amount of €12,255,000 (2018: €13,309,000) 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 (2018: €nil) in respect of assets held under finance leases and hire purchase contracts.

12 Acquisitions

Acquisition of rcDDM GmbH and the "Lettershop" trade and assets of Regicom AG

On the 30 November 2018, the Group acquired the entire issued share capital of rcDDM GmbH and the "Lettershop" trade and certain assets of Regiocom AG.

The company now trades as Paragon Customer Communications Weingarten GmbH (PCC Weingarten).

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	4,629
Software	727
Customer relationships	5,081
Non-current assets	**10,437**
Inventories	984
Trade and other receivables	8,993
Deferred tax asset	319
Cash and cash equivalents	5,036
Current assets	**15,332**
Total assets	**25,769**
Trade and other payables	7,602
Obligations under finance leases	2,482
Deferred tax liabilities	1,524
Retirement benefits deficit	4,359
Total liabilities	**15,967**
Net assets	**9,802**
Fair value of consideration	**16,189**
Goodwill on acquisition (note 13)	**6,387**

The fair value of the 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 a cash payment of €16,189,000.

rcDDM GmbH is a strong market player in the German customer communications and document archiving space. The business is particularly strong in the telecoms, energy and automotive sectors and presented synergy opportunities with PCC Germany.

In respect of the acquisition, revenue of €34,252,000 and EBITDA[1] of €2,429,000 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 €53,478,000 and EBITDA[1] of €3,568,000.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

12 Acquisitions (continued)

Acquisition of part of the trade and certain assets of Arvato Services France SARL

On the 26 December 2018, the Group acquired part of the trade and certain assets of Arvato Services France SARL.

The acquisition was incorporated into a new company that now trades as Arcania SAS.

In calculating the gain on acquisition arising on this acquisition, 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	10,760
Customer relationships	5,039
Non-current assets	**15,799**
Inventories	180
Trade and other receivables	1,062
Cash and cash equivalents	3,580
Current assets	**4,822**
Total assets	**20,621**
Trade and other payables	1,720
Deferred tax liabilities	2,533
Retirement provision	1,755
Dilapidations provision	1,200
Total liabilities	**7,208**
Net assets	**13,413**
Fair value of consideration	**6,751**
Gain on acquisition (note 8)	**(6,662)**

The fair value of consideration comprised of a cash payment of €6,751,000.

The acquisition of the lettershop, data management and distribution business of Arvato Services France SARL in France complemented PCC France's direct mail and distribution activities. The transaction included a state-of-the-art 20,000 sqm facility in France. A gain on acquisition arose as this was a non-core activity for the selling organisation and they had previously announced that they were exiting this sector.

In respect of the acquisition, revenue of €15,752,000 and EBITDA[1] of €1,438,000 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 €29,128,000 and EBITDA[1] of €2,567,000.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

12 Acquisitions (continued)

Acquisition of Merico Delta Print SAS

On the 29 May 2019, the Group acquired the entire issued share capital of Merico Delta Print SAS.

In calculating the gain on acquisition arising on this acquisition, 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	2,316
Customer relationships	445
Non-current assets	**2,761**
Inventories	1,379
Trade and other receivables	3,677
Cash and cash equivalents	3,340
Current assets	**8,396**
Total assets	**11,157**
Trade and other payables	1,741
Income tax payable	503
Retirement provision	210
Restructuring provision	350
Other provision	193
Total liabilities	**2,997**
Net assets	**8,160**
Fair value of consideration	**–**
Gain on acquisition (note 8)	**(8,160)**

The fair value of consideration comprised of a cash payment of €1.

Merico is a French communications, direct marketing and document management business that was acquired as a consolidation play in the domestic French customer communications market. A gain on acquisition arose as this was a non-core and very insignificant activity for a large financial group.

In respect of the acquisition, revenue of €941,000 and EBITDA[1] loss of €2,000 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 €12,841,000 and EBITDA[1] of €146,000.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

12 Acquisitions (continued)

Acquisition of parts of the trade and certain assets of the Howard Hunt Group Limited in Administration

On the 29 May 2019, the Group acquired parts of the trade and certain assets of the Howard Hunt Group Limited in Administration. The acquisition include the trade and certain assets of ORM, Celerity, Howard Hunt, Graft Solutions, the entire issued share capital of Celerity Information Services (Inc) USA and 48% of the entire issued share capital of D&MSP Celerity Services SL.

In calculating the goodwill arising on this acquisition, 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	1,645
Customer relationships	3,076
Non-current assets	**4,721**
Trade and other receivables	7,842
Cash and cash equivalents	119
Current assets	**7,961**
Total assets	**12,682**
Trade and other payables	4,078
Deferred tax liabilities	554
Total liabilities	**4,632**
Net assets	**8,050**
Fair value of consideration	**12,125**
Goodwill on acquisition (note 13)	**4,075**

The fair value of consideration comprised of a cash payment of €12,125,000.

The Group extended its UK and international footprint with this acquisition, expanding its capabilities and reputation in digital marketing. Our offer will be expanded and enhanced to include an award-winning agency with sites in London, Boston USA and Madrid specialising in the strategic use of data and technology; a marketing concierge agency and an agency that specialises in digital strategy, platforms and design.

In respect of the acquisition, revenue of €2,317,000 and EBITDA[1] of €736,000 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 €27,721,000 and EBITDA[1] of €1,815,000.

Other transactions

The Group entered into six 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 5 July 2018, the Group acquired all of the issued share capital of Imprimus Limited, which has subsequently been renamed as PCC (Redruth) Limited. This acquisition with its diverse portfolio will strengthen our postage optimisation and digitals channel offering in the transactional and regulatory communications sector.

On 22 October 2018, the Group acquired the trade and certain assets of Prisme Solutions SASU in Administration. This is an opportunistic asset purchase in France, which saw PCC France boost its market leading position in the gaming industry market, whilst also bringing incremental revenue and additional capacity to the Paragon ID security printing business.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

12 Acquisitions (continued)

Other transactions (continued)

On 26 October 2018, the Group acquired the (RFID Discovery) trade and certain assets of Harland Simon plc in Administration, a provider of complete asset management solutions that use a range of advanced IOT technologies to track assets.

On 9 November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration, an international print manager, with international operations. The acquisition includes the trade and certain assets of Paperhat, the entire issued share capital of Despark UK Limited, Despark Bulgaria EOOD, Paperhat GmbH and Paperhat India Pvt Limited.

On 5 December 2018, the Group acquired from Debenhams Retail plc, the trade and certain assets of its Magenta Print and Display division, enhancing our capabilities in the sphere of POS and graphic solutions.

On 18 January 2019, the Group acquired the trade and certain assets of Service Graphics Limited in administration, a provider of large format commercial, format graphic and signage.

	Fair value €000
Property, plant and equipment	3,327
Software	701
Customer relationships	6,047
Deferred tax asset	8
Non-current assets	**10,083**
Inventories	1,662
Trade and other receivables	5,587
Cash and cash equivalents	1,719
Current assets	**8,968**
Total assets	**19,051**
Trade and other payables	5,852
Obligations under finance leases	987
Deferred tax liabilities	1,264
Total liabilities	**8,103**
Net assets	**10,948**
Fair value of consideration	**9,137**
Net (gain) on acquisition/goodwill arising on acquisition	**(1,811)**
Gain on acquisition (note 8)	(2,744)
Goodwill on acquisition (note 13)	933
	(1,811)

The fair value of consideration for all these businesses comprised of cash payments of €7,011,000 and deferred consideration of €2,126,000. The gain on acquisition arose on distressed transactions and other non-core divestments made by the selling organisations in the year.

In respect of the acquisition, revenue of €39,938,000 and EBITDA[1] of €2,372,000 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 €65,038,000 and EBITDA[1] of €4,599,000.

1. EBIT and EBITDA are defined in note 2(q) on page 81.

13 Goodwill

	2019 €000
Cost and carrying amount of goodwill	
At 1 July 2017	74,929
Acquisitions	8,470
Goodwill adjustment for prior year acquisition	(2,397)
At 30 June 2018	81,002
Acquisitions (note 12)	11,395
At 30 June 2019	**92,397**

The goodwill reported for the year ended 30 June 2017 of €74,929,000 was reduced by €2,397,000 to €72,532,000 due to the finalisation of the Paragon ID SA (previously known as ASK SA) goodwill within 12 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 year, as a result of the continued acquisitions of the Group, the Directors took the decision to increase the number of CGU's from six to eight as some of the acquisitions would not fall into the existing CGU's. The eight CGU's are grouped together in the three cash generating units groups (CGUG's). These are:

- Paragon Customer Communications – provides a range of services to our clients to improve their communications with their customers (3 CGU's)
- Paragon ID – delivers RFID and contactless solutions for personal identification, mass transit, smart cities, brand protection and traceability (4 CGU's)
- 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.

	2019 €000	2018 €000
Paragon Customer Communications (PCC)	49,209	38,718
Paragon ID (PID)	39,368	39,368
Paragon Graphic Services (PGS)	3,820	2,916
	92,397	**81,002**

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% (2018: 12.4%)	1.7% (2018: 2.1%)
Paragon ID	12.4% (2018: 12.4%)	1.7% (2018: 2.1%)
Paragon Graphic Services	12.7% (2018: 12.7%)	1.7% (2018: 2.1%)

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 2019 (2018: nil).

Sensitivity Analysis

Sensitivity analysis was performed by increasing the discount rate and reducing cashflows. The following individual parameters would have to be exceeded before the resulting calculations gave rise to an impairment loss:

	Discount rate	Reduction in cashflows
Paragon Customer Communications	23% (2018: 29%)	60% (2018: 70%)
Paragon ID	30% (2018: 21%)	90% (2018: 82%)
Paragon Graphic Services	21% (2018: 21%)	78% (2018: 72%)

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.

14 Financial investments

	Trade investments	Investment in associates	Investment in joint ventures	Total
	€000	€000	€000	€000
Cost of valuation				
At 1 July 2018	367	55	770	1,192
Acquisitions	8	–	–	8
Additions	1,772	–	2,139	3,911
Share of profits/(losses)	–	(21)	412	391
Dividends (received)	–	–	(112)	(112)
Exchange movements	–	(1)	(2)	(3)
At 30 June 2019	**2,147**	**33**	**3,207**	**5,387**

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

Additions

During the year the Group increased its investment in BeeBuzziness SAS. In addition, the Group acquired 50% of the issued share capital of Airweb SAS. This is an early stage business on a strong growth trajectory. Airweb SAS has a model of standardised mobile solutions for public transport networks wherein it is currently serving many regional cities and towns with its mobile platforms.

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

	Non-current assets	Current assets	Current liabilities	Total
	€000	€000	€000	€000
As at 30 June 2019				
Joint ventures	1,765	3,282	(1,840)	3,207
Associates	3	42	(12)	33
At 30 June 2019	**1,768**	**3,324**	**(1,852)**	**3,240**

	Non-current assets	Current assets	Current liabilities	Total
	€000	€000	€000	€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**

Notes to the consolidated financial statements
for the year ended 30 June 2019 (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 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	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**	**34,220**	**1,151**	**3,299**	**52,075**
Transfers	(1,130)	1,130	(10)	(383)	–	(393)
Acquisitions (note 12)	–	1,428	19,688	–	–	21,116
Additions	682	2,103	1,062	334	–	4,181
Disposals	–	(2,144)	–	–	–	(2,144)
Exchange movement	19	(168)	(133)	34	–	(248)
At 30 June 2019	**1,590**	**13,735**	**54,827**	**1,136**	**3,299**	**74,587**
Accumulated amortisation:						
At 1 July 2017	62	4,415	–	13	–	4,490
Disposals	–	(1,040)	–	–	–	(1,040)
Transfers	–	61	–	399	521	981
Charge for the period	562	1,751	3,292	139	367	6,111
Exchange movement	(1)	(77)	–	(15)	–	(93)
At 30 June 2018	**623**	**5,110**	**3,292**	**536**	**888**	**10,449**
Transfers	(321)	607	(295)	(384)	–	(393)
Charge for the period	356	3,144	7,587	(78)	275	11,284
Disposals	–	(2,144)	–	80	–	(2,064)
Exchange movement	6	(95)	(27)	34	–	(82)
At 30 June 2019	**664**	**6,622**	**10,557**	**188**	**1,163**	**19,194**
At 30 June 2019	**926**	**7,113**	**44,270**	**948**	**2,136**	**55,393**
At 1 July 2018	**1,396**	**6,276**	**30,928**	**615**	**2,411**	**41,626**

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

16 Assets held for sale

	2019 €000	2018 €000
At 1 July	**5,285**	**3,785**
Transfer from land and buildings	–	5,285
IFRS 5 fair value adjustment	(1,682)	–
Disposals	–	(3,785)
Addition	1,380	–
Exchange movements	120	–
At 30 June	**5,103**	**5,285**

In the prior year, two properties that had been held for sale in Collegien, France and Pilsen, Czech Republic were both sold. In the prior year a further property in Pilsen, Czech Republic that had been included in land and buildings ceased to be in use and had also been transferred from land and buildings to held for sale. During the year a fair value adjustment in line with IFRS 5 arose on the Pilsen, Czech property. We appreciate that the sale has taken longer to complete than anticipated but the intention of management is to sell this asset within twelve months.

During the year the Group acquired a property from Trenton Box Company Limited, a company that shares a common director.

17 Inventories

	2019 €000	2018 €000
Raw materials and consumables	25,903	17,852
Work in progress	4,825	6,246
Finished goods and goods for resale	8,955	9,159
	39,683	**33,257**

There was no write-down of inventories in either period. Inventories included in cost of sales in the year amounted to €315,352,000 (2018: €268,908,000).

18 Other financial assets

	2019 €000	2018 €000
Trade and other receivables		
Amounts receivable for the sale of goods and services	78,730	79,983
Allowance for doubtful debts	(3,650)	(2,531)
Trade receivables	75,080	77,452
VAT receivables	4,753	3,281
Other receivables	9,276	1,725
Amount due from related party (note 31)	1,320	864
Amount due from joint ventures and associates (note 31)	2,576	847
Accrued income	14,260	9,887
Prepayments	11,825	8,077
	119,090	**102,133**

The Group is party to a debt factoring arrangement where advances received are without recourse. Where receivable balances have been sold, the risk and rewards have been transferred to the factorers. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

18 Other financial assets (continued)

	2019 €000	2018 €000
Other non-current assets		
Other receivables (see below)	560	461
	560	**461**

The Group's French operations have an obligation to make contributions to a French state fund on an annual basis. There are two treatments available to contributors to the fund. The first is to receive a once-off taxable income deduction in the year of payment. The other option is to be refunded by the French state, on an interest free basis, after a period of twenty years.
The amounts noted above include all payments to be refunded after twenty years. This receivable has been discounted and reflects the fair value of the amounts receivable. The Group made a payment to the French state fund in the current year of €66,000 (2018: net refund €15,000).

	2019 €000	2018 €000
Cash and cash equivalents	100,323	116,655
Cash and cash equivalents	**100,323**	**116,655**

Cash and cash equivalents comprise cash held by the Group, 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 €16,643,000 (2018: €1,150,000).

19 Trade and other payables

	2019 €000	2018 €000
Trade payables	103,988	86,594
Other taxes and social security	28,019	21,133
Holiday accrual	7,217	7,057
Amounts due to related parties (note 31)	649	686
Other payables	7,869	6,373
Amount owed to joint ventures and associates (note 31)	2,037	2,037
Accruals for goods and services	30,305	21,918
Financial instrument	–	240
Deferred consideration	1,125	1,953
	181,209	**147,991**

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.

19 Trade and other payables (continued)

Financial instruments

In the prior year a third party held a put option of 150,785 shares in Paragon ID SA with an exercise price of €1.59166 that was exercisable within the next twelve months. This put option was exercised in full during the year.

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

The deferred consideration is payable as follows:

	2019 €000	2018 €000
Within one year	1,125	1,953
Beyond one year	5,659	4,663
	6,784	**6,616**

20 Borrowings

	2019 €000	2018 €000
Bank loans	42,709	36,552
Bonds net of unamortised issued costs	139,968	139,761
Bank overdrafts	10,123	8,225
	192,800	**184,538**

The borrowings are repayable as follows:

	2019 €000	2018 €000
Within one year	32,598	32,373
Between two and five years	154,786	12,359
Beyond five years	5,416	139,806
	192,800	**184,538**

Bonds

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.

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.

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. €11,752,000 (2018: €5,749,000) is secured on land and buildings in the form of a commercial mortgage. €12,322,000 (2018: €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. €292,000 (2018: €1,312,000) is secured on equipment.

Amounts falling due after more than one year include a variable facility of €nil (2018: €nil) secured over debtors.

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.

21 Obligations under finance 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 leasee.

Finance leases

	Minimum lease payments 2019 €000	Present value of minimum lease payments 2019 €000	Minimum lease payments 2018 €000	Present value of minimum lease payments 2018 €000
Amounts payable under finance leases:				
Within one year	3,210	3,000	2,965	2,794
Between two to five years	6,317	5,948	7,516	7,083
In more than five years	–	–	91	85
	9,527	**8,948**	**10,572**	**9,962**
Less finance charges	(579)		(610)	
Present value of lease obligations	**8,948**		**9,962**	
Current	3,000		2,794	
Non-current	5,948		7,168	
	8,948		**9,962**	

22 Deferred income

	2019 €000	2018 €000
Advanced billings and other deferred income	3,618	3,548
Government grants	511	560
Deferred gains on property sale and leaseback	690	748
	4,819	**4,856**
Current	3,767	3,698
Non-current	1,052	1,158
	4,819	**4,856**

Advance billings and other deferred income are current and will be recognised as revenues and collected in the next twelve months.

22 Deferred income (continued)

Government grants

	2019 €000	2018 €000
At 1 July	**560**	**410**
Proceeds from government grants received	–	226
Released in the year	(44)	(72)
Exchange movements	(5)	(4)
At 30 June	**511**	**560**

The above grant has no unfulfilled obligations or contingencies.

23 Provisions

	Retirement €000	Restructuring €000	Dilapidations €000	Other €000	Total €000
Balance at 1 July 2017	**3,695**	**4,071**	**3,940**	**1,892**	**13,598**
Actuarial movements	390	–	–	–	390
Utilised during the period	(416)	(1,713)	–	(1,169)	(3,298)
Exchange movements	–	6	(35)	–	(29)
Charge/(credit) during the period	185	542	(168)	75	634
Interest charged during the year	17	–	–	–	17
Acquisitions	–	166	–	2,053	2,219
Balance at 30 June 2018	**3,871**	**3,072**	**3,737**	**2,851**	**13,531**
Actuarial movements	1,389	–	–	–	1,389
Utilised during the period	(848)	(2,172)	–	(2,516)	(5,536)
Exchange movements	–	(4)	(28)	(3)	(35)
Reclassification from trade creditors	–	137	(25)	130	242
Charge/(credit) during the period	300	1,050	(718)	151	783
Interest charged during the year	21	–	–	–	21
Acquisitions (note 12)	1,965	350	1,200	193	3,708
Balance as at 30 June 2019	**6,698**	**2,433**	**4,166**	**806**	**14,103**
Current	607	1,979	370	411	3,367
Non-current	6,091	454	3,796	395	10,736
Balance as at 30 June 2019	**6,698**	**2,433**	**4,166**	**806**	**14,103**

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. The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. Eventual settlement of this provision is dependant on the final retirement date for each individual concerned. Current provisions represents the anticipated settlement costs in the next twelve months.

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. The calculation of restructuring provisions requires estimates in some circumstances to be made about the amounts and timing of resulting payments. Current provisions represents the anticipated payments to occur in the next twelve months.

Dilapidations provisions

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. The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimtes on the costs of returning the properties to their state of repair at the inception of the lease. Current provisions represents the anticipated payments to occur in the next twelve months.

Other provisions

These provisions include rent free periods and onerous contracts.

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. Current provisions represents the anticipated settlement costs in the next twelve months.

24 Deferred tax

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

	2019 €000	2018 €000
Deferred tax assets	4,453	3,762
Deferred tax liabilities	(7,865)	(3,017)
Net deferred tax (liabilities)/assets	**(3,412)**	**745**

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

	2019 €000	2018 €000
Asset/(liabilities) at the beginning of the period	745	(87)
Credit to the Consolidated income statement (note 9)	1,311	3,108
Credit to the Consolidated statement of comprehensive income (note 9)	107	40
Acquisitions (note 12)	(5,556)	(2,182)
Exchange rate differences	(19)	(134)
(Liabilities)/asset at the end of the period	**(3,412)**	**745**

24 Deferred tax (continued)

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

	Property, plant & equipment €000	Intangible assets €000	Tax losses €000	Other temporary differences €000	Total €000
Balance at 1 July 2017	**(4,320)**	**(901)**	**1,959**	**3,175**	**(87)**
Credit to the Consolidated income statement	1,966	(232)	1,433	(59)	3,108
Charge to the Consolidated statement of comprehensive income	–	–	–	40	40
Acquisitions	58	(3,205)	602	363	(2,182)
Items taken direct to equity	–	–	–	(134)	(134)
Balance at 30 June 2018	**(2,296)**	**(4,338)**	**3,994**	**3,385**	**745**
Credit to the Consolidated income statement	2,392	1,051	(454)	(1,678)	1,311
Credit to the Consolidated statement of comprehensive income	–	–	–	107	107
Acquisitions	(840)	(5,003)	–	287	(5,556)
Items taken direct to equity	–	–	–	(19)	(19)
Balance at 30 June 2019	**(744)**	**(8,290)**	**3,540**	**2,082**	**(3,412)**

Deferred tax arising on intangible assets are now separately disclosed. In previous years these had been included with property, plant and equipment. They have now been separately reported to improve the understanding of the basis for these temporary differences.

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 €14,500,000 that are available indefinitely for offset against future taxable profits and €623,000,000 of tax losses and other temporary differences arising in overseas territories that are available to carry forward indefinitely and tax losses of €1,500,000 which are due to expire within five years

25 Retirement benefits

Defined contribution scheme – UK

The defined contribution scheme – UK is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €2,599,000 (2018: €1,945,000).

Contributions totalling €568,000 (2018: €248,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Norway

The defined contribution scheme – Norway is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €332,000 (2018: €462,000). Contributions totalling €nil (2018: €nil) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Belgium

The defined contribution scheme – Belgium 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 €19,000 (2018: €18,000). Contributions totalling €nil (2018: €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 €443,000 (2018: €420,000). Contributions totalling €14,000 (2018: €16,000) were payable to the fund at the year end and are included in creditors.

Defined contribution scheme – Ireland

The defined contribution scheme – Ireland is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the Group. The pension cost charge for the year amounted to €73,000 (2018: €27,000). Contributions totalling €14,000 (2018: €8,000) were payable to the fund at the year end and are included in creditors.

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 €19,000 (2018: €23,000). Contributions totalling €1,000 (2018: €nil) were payable to the fund at the year end.

Defined benefits scheme – UK

A subsidiary company operates a final salary defined benefits 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 2019.

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

	2019 Per annum	2018 Per annum
Discount rate	2.2%	2.6%
Expected rate of inflation	3.2%	3.1%
Rate of increase of pensions in payment	3.1%	3.0%
Rate of increase for deferred pensioners	2.2%	2.1%

Demographic assumptions

	2019	2018
Mortality (pre-retirement)	AMC00/AFC00	AMC00/AFC00
Mortality (post retirement)	S2PMA/S2PFA CMI 2018 M/F 1.25%	S2PMA/S2PFA CMI 2017 M/F 1.25%

	2019		2018	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.5 years	23.4 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	22.8 years	24.9 years	23.3 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:

	2019 €000	2018 €000
Present value of funded obligations	(9,030)	(8,453)
Fair value of scheme assets	9,733	9,258
Year-end assets	**703**	**805**

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.

25 Retirement benefits (continued)

Amounts recognised in the Consolidated income statement in respect of the defined benefit scheme are as follows:

	2019 €000	2018 €000
Interest charge on obligation (note 6, 7)	(213)	(224)
Interest income from scheme assets (note 6, 7)	234	239
	21	**15**

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

	2019 €000	2018 €000
Actuarial (losses)/gains on defined benefit obligation	(812)	203
Actuarial return on assets	697	43
	(115)	**246**

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 €3,189,000 (2018: €3,304,000).

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

	2019 €000	2018 €000
Opening defined benefits obligation	8,453	8,858
Interest cost	213	224
Foreign exchange movements	(74)	(78)
Actuarial losses/(gains)	812	(203)
Benefits paid	(374)	(348)
Closing defined benefits obligation	**9,030**	**8,453**

Actual losses in the current year include a GMP equalisation charge of €339,000 that has been calculated in respect of this scheme which has been closed to new members and and has not accrued any benefits since 3 August 2005.

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

	2019 €000	2018 €000
Opening fair value of scheme assets	9,258	9,406
Interest income	234	239
Foreign exchange movements	(82)	(81)
Actual gain	697	43
Benefits paid	(374)	(349)
Closing fair value of scheme assets	**9,733**	**9,258**

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 2019 €000	Value at 30 June 2018 €000
Equity instruments	4,268	4,089
Gilts	2,937	2,765
Cash	2,528	2,404
	9,733	**9,258**

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

	2019 €000	2018 €000	2017 €000
Fair value of scheme assets	9,733	9,258	9,406
Present value of defined benefit obligations	9,030	8,453	8,858
Net surplus	703	805	548
Experience adjustments on scheme liabilities	–	–	–
Percentage of total scheme obligation	0%	0%	0%
Experience adjustments on scheme assets	697	43	220
Percentage of scheme assets	0.7%	0.5%	2%

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2019. 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%	+8.0%/-7.0%
Expected rate of inflation	+0.5%/-0.5%	+5.0%/-5.0%
Assumed life expectancy	+ 1 year	+4.0%

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 2019.

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

	2019 Per annum	2018 Per annum
Discount rate	2.4%	2.4%
Expected rate of inflation	2.5%	2.4%
Expected rate of salary increases	2.5%	2.5%
Rate of increase of pensions in payment	0.5%	0.0%
Rate of increase for deferred pensioners	N/A	N/A

Demographic assumptions

	2019	2018
Mortality	K2013BE	K2013BE

	2019		2018	
	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:

	2019 €000	2018 €000
Present value of funded obligations	(2,772)	(2,896)
Fair value of scheme assets	2,794	3,012
Year-end assets	**22**	**116**

Amounts recognised in the Consolidated income statement in respect of the defined benefits scheme are as follows:

	2019 €000	2018 €000
Service cost (note 5)	(21)	(9)
Interest charge on obligation (note 6, 7)	(66)	(75)
Interest income from scheme assets (note 6, 7)	64	76
	(23)	**(8)**

25 Retirement benefits (continued)

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

	2019 €000	2018 €000
Actuarial (losses) on defined benefit obligation	(40)	(114)
Actual return on assets	(80)	(41)
	(120)	**(155)**

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 €(211,000) (2018: losses of €91,000).

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

	2019 €000	2018 €000
Opening defined benefits obligation	2,896	3,123
Interest cost	66	75
Service cost	21	32
Foreign exchange movements	(80)	8
Actuarial loss	40	114
Benefits paid	(171)	(165)
Past service cost – curtailment/plan amendment	–	(23)
Settlements	–	(260)
Employer contributions	–	(8)
Closing defined benefits obligation	**2,772**	**2,896**

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

	2019 €000	2018 €000
Opening fair value of scheme assets	3,012	3,340
Interest income	64	76
Foreign exchange movements	(84)	8
Settlement and (gain)/loss on settlement	–	(260)
Return on assets	(80)	(41)
Contributions by employer	53	54
Benefits paid	(171)	(165)
Closing fair value of scheme assets	**2,794**	**3,012**

25 Retirement benefits (continued)

The fair value of the scheme assets at the Consolidated statement of financial position date is analysed as follows:

	2019 €000	2018 €000
Equity instruments	223	211
Bonds	2,179	2,350
Real Estate	307	331
Cash	85	120
	2,794	**3,012**

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

	2019 €000	2018 €000
Fair value of scheme assets	2,794	3,012
Present value of defined benefit obligations	2,772	2,896
Net gain/(deficit)	22	116
Experience adjustments on scheme liabilities	(9)	(92)
Percentage of total scheme obligation	(0.3)	(3)
Experience adjustments on scheme assets	(50)	8
Percentage of scheme assets	(1.8)	0.3

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

	Change in assumption	Change in obligation
Sensitivity analysis		
Discount rate	+0.5%/-0.5%	+5.53%/-5.06%
Expected rate of inflation	+0.5%/-0.5%	+0.1%/-0.1%
Assumed life expectancy	+ 1 year	+ 3.53%

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 scheme" was carried out as at 30 June 2019.

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

	2019 Per annum	2018 Per annum
Discount rate	1.75%	1.72%
Expected rate of inflation	1.75%	0.0%
Expected rate of salary increases	0.0%	0.0%
Rate of increase of pensions in payment	1.5%	1.5%
Rate of increase for deferred pensioners	N/A	N/A

Demographic assumptions

	2019	2018
Mortality	Richttafeln 2005 G Von Klaus Heubeck	Richttafeln 2005 G Von Klaus Heubeck

	2019 Males	2019 Females	2018 Males	2018 Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	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:

	2019 €000	2018 €000
Present value of funded obligations	(305)	(359)
Fair value of scheme assets	396	465
Year-end assets	**91**	**106**

Amounts recognised in the Consolidated income statement in respect of the defined benefits scheme are as follows:

	2019 €000	2018 €000
Service cost	–	–
Asset ceiling restriction (note 7)	(16)	(18)
Interest charge on obligation (note 7)	(6)	(7)
Interest income from scheme assets (note 7)	24	22
	2	**(3)**

25 Retirement benefits (continued)

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

	2019 €000	2018 €000
Actuarial gain on defined benefit obligation	18	–
Actual return on assets	(22)	–
	(4)	**–**

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 €(4,000) (2018: €nil).

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

	2019 €000	2018 €000
Opening defined benefits obligation	359	–
Acquisition	–	394
Actuarial (gain)	(18)	–
Interest cost	6	7
Benefits paid	(42)	(42)
Closing defined benefits obligation	**305**	**359**

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

	2019 €000	2018 €000
Opening fair value of scheme assets	465	–
Acquisition	–	503
Interest income	24	22
Actuarial loss	(22)	–
Asset ceiling restriction	(16)	(18)
Benefits paid	(55)	(42)
Closing fair value of scheme assets	**396**	**465**

The fair value of the scheme assets at the Consolidated statement of financial position date is analysed as follows:

	2019 €000	2018 €000
Bonds	396	465
	396	**465**

25 Retirement benefits (continued)

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

	2019 €000	2018 €000
Fair value of scheme assets	396	465
Present value of defined benefit obligations	305	359
Net gain	**91**	**106**

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

	Change in assumption	Change in obligation
Sensitivity analysis		
Discount rate	+0.5%/-0.5%	+2.8%/-2.7%

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 30 June 2019.

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

	2019 Per annum	2018 Per annum
Discount rate	1.75%	1.5%
Expected rate of inflation	1.75%	0.0%
Expected rate of salary increases	0.0%	0.0%
Rate of increase of pensions in payment	1.5%	0.0%

Demographic assumptions

	2019	2018
Mortality	Richttafeln 2005 G Von Klaus Heubeck	Richttafeln 2005 G Von Klaus Heubeck

	2019		2018	
	Males	**Females**	**Males**	**Females**
Life expectancy for a current 65 year old	21.9 years	23.8 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	23.3 years	25.4 years

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:

	2019 €000	2018 €000
Present value of funded obligations	(2,766)	(3,065)
Fair value of scheme assets	2,425	2,263
Year-end (obligations)	**(341)**	**(802)**

Amounts recognised in the Consolidated income statement in respect of the defined benefits scheme are as follows:

	2019 €000	2018 €000
Service cost	(17)	–
Interest charge on obligation (note 6, 7)	(48)	–
Interest income from scheme assets (note 6, 7)	40	–
	(25)	**–**

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

	2019 €000	2018 €000
Actuarial gain on defined benefit obligation	282	101
Actual gain/(losses) on assets	184	(43)
	466	**58**

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 €524,000 (2018: €58,000).

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

	2019 €000	2018 €000
Opening defined benefits obligation	3,065	–
Acquisition	–	3,166
Service cost	17	–
Interest cost	48	–
Actuarial gain	(282)	(101)
Benefits paid	(82)	–
Closing defined benefits obligation	**2,766**	**3,065**

25 Retirement benefits (continued)

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

	2019 €000	2018 €000
Opening fair value of scheme assets	2,263	–
Acquisition	–	2,306
Interest income	40	–
Contributions by employer	20	–
Actual gains/(losses)	184	(43)
Benefits paid	(82)	–
Closing fair value of scheme assets	**2,425**	**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 2019 €000	Value at 30 June 2018 €000
Bonds	2,425	2,263
	2,425	**2,263**

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

	2019 €000	2018 €000
Fair value of scheme assets	2,425	2,263
Present value of defined benefit obligations	(2,766)	(3,065)
Net (deficit)	**(341)**	**(802)**

25 Retirement benefits (continued)

Weingarten Scheme:

The most recent formal actuarial valuation for the final salary defined benefit pension plan "Weingarten" was carried out as at 30 June 2019.

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

	2019 Per annum	2018 Per annum
Discount rate	1.72%	0.0%
Expected rate of inflation	2.5%	0.0%
Expected rate of salary increases	0.0%	0.0%
Rate of increase of pensions in payment	1.5%	0.0%

Demographic assumptions

	2019	2018
Mortality	Richttafeln 2005 G Von Klaus Heubeck	–

	2019		2018	
	Males	Females	Males	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:

	2019 €000	2018 €000
Present value of funded obligations	(3,920)	–
Fair value of scheme assets	–	–
Year-end (obligations)	**(3,920)**	**–**

This is an unfunded scheme, obligations are to be funded from current operations. Pension payments are expected to begin in 10 years time.

Amounts recognised in the Consolidated income statement in respect of the defined benefits scheme are as follows:

	2019 €000	2018 €000
Service cost	(45)	–
Interest charge on obligation (note 6, 7)	(44)	–
Interest income from scheme assets (note 6, 7)	–	–
	(89)	**–**

25 Retirement benefits (continued)

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

	2019 €000	2018 €000
Actuarial gain on defined benefit obligation	313	–
Actual gain/(losses) on assets	–	–
	313	**–**

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 €313,000 (2018: €nil).

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

	2019 €000	2018 €000
Opening defined benefits obligation	–	–
Acquisition	4,359	–
Service cost	45	–
Interest cost	44	–
Actuarial gain	(313)	–
Benefits paid	(215)	–
Closing defined benefits obligation	**3,920**	**–**

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

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

	2019 €000	2018 €000
Fair value of scheme assets	–	–
Present value of defined benefit obligations	(3,920)	–
Net (deficit)	**(3,920)**	**(802)**

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 receivables passes to the factoring company once the trade receivable invoice is with the factoring company. Factoring is at EURIBOR +0.65% and LIBOR +0.65%. This decreases the Group bad debt risk.

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:

	2019 Total fair value €000	2019 Carrying value €000	2018 Total fair value €000	2018 Carrying value €000
Financial assets				
Trade and other receivables	119,090	119,090	102,133	102,133
Cash and cash equivalents	100,323	100,323	116,655	116,655
Long term receivables	560	560	461	461
Total financial assets	**219,973**	**219,973**	**219,249**	**219,249**

		2019 Total fair value €000	2019 Carrying value €000	2018 Total fair value €000	2018 Carrying value €000
Financial liabilities					
Obligation under finance lease	Level 2	8,948	8,948	9,962	9,962
Borrowings	Level 2	192,800	192,800	184,538	184,538
Trade and other payables	Level 2	180,084	180,084	145,798	145,798
Financial instrument	Level 1	–	–	240	240
Deferred consideration	Level 2	4,306	4,306	4,219	4,219
Deferred consideration	Level 3	2,478	2,478	2,397	2,397
Total financial liabilities		**388,616**	**388,616**	**347,154**	**347,154**

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 2019 the discount rate used was 3.0 per cent (30 June 2018: 3.0 per cent).

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 2019							
Non derivative financial liabilities							
Obligation under finance lease	Level 2	3,210	6,317	–	9,527	(579)	8,948
Borrowings	Level 2	39,19	171,333	9,520	220,048	(27,248)	192,800
Trade and other payables	Level 2	180,084	–	–	180,084	–	180,084
Deferred consideration	Level 2	4,306	–	–	4,306	–	4,306
Deferred consideration	Level 3	–	2,478	–	2,478	–	2,478
		226,795	**180,128**	**9,520**	**416,443**	**(27,827)**	**388,616**

Sensitivity analysis

The significant unobservable input used in the fair value of measurement of deferred consideration payable is future incremental EBITDA[1]. A significant decrease in EBITDA[1] 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[1] targets.

		Due within one year	Due between 2 and 5 years	Due in more than 5 years	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	38,970	29,425	149,988	218,383	(33,845)	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
		189,926	**41,604**	**150,079**	**381,609**	**(34,455)**	**347,154**

1. EBIT and EBITDA are defined in note 2(q) on page 81.

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	
	2019	**2018**	**2019**	**2018**
Currency				
Sterling	1.14	1.13	1.12	1.13
Swedish Krona	0.10	0.10	0.09	0.10
Norwegian Krone	0.10	0.10	0.10	0.11
Romanian Leu	0.21	0.22	0.21	0.21
Polish Zloty	0.23	0.24	0.24	0.23
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.63	0.65	0.62	0.64
US Dollar	0.88	0.84	0.89	0.86
Hongkong Dollar	0.11	–	0.11	–
Indian Rupee	0.01	–	0.01	–
Bulgarian Lev	0.51	–	0.51	–
China RMB	0.13	0.13	0.13	0.13

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2019 and 30 June 2018 would have had the following effect on profit on ordinary activities before tax:

	2019	**2018**
	€000	**€000**
Sterling	(1,270)	(796)
Norwegian Krone	117	(7)
Swedish Krona	84	225
Polish Zloty	(51)	(86)
Czech Koruna	107	128
Romanian Leu	(102)	(140)
US Dollar	(78)	(3)
Bulgarian Lev	1	–
Australian Dollar	2	(1)
China RMB	–	–

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

	2019 €000	2018 €000
Euro	61,795	90,030
Sterling	34,632	22,928
US Dollar	2,291	701
Romania Leu	37	1,241
Norwegian Krone	377	637
Swedish Krona	865	736
Polish Zloty	127	220
Czech Koruna	20	2
Australian Dollar	56	13
Canadian Dollar	12	37
Indian Rupee	3	–
Bulgarian Lev	9	–
China RMB	99	110
	100,323	**116,655**

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

	2019 €000	2018 €000
Euro bank borrowings	147,921	148,129
Sterling bank borrowings	13,444	9,997
US Dollar bank borrowings	89	466
Norwegian Krone bank borrowings	2,534	2,266
Czech Koruna bank borrowings	971	1,389
	164,959	**162,247**

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.

26 Financial risk management (continued)

Interest rate sensitivity analysis

The analysis shows the additional charge to Consolidated income statement assuming that the amount of the liability outstanding at the Consolidated statement of financial position date was outstanding for the entire period.

	2019 €000	2018 €000
100% movement in 3 month EUIBOR and LIBOR	337	257

Foreign exchange risk

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

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

Credit risk

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

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

Exposure to credit risk is also mitigated by the Group invoice factoring facility as it is the financial institution that bears the risks of non-payment.

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.

Trade receivables of €78,730,000 and accrued income of €14,260,000 have been reviewed to determine the adequacy of the credit loss provision. No issues were noted for accrued income. Overdue trade receivables were reviewed for indication of any credit loss issues. A doubtful receivable provision of €3,650,000 is in place in respect of overdues in the amount of €7,540,000. Based on past experience, this provision should be sufficient to cover all potential credit losses.

Ageing of overdue and partly impaired receivables

	2019 €000	2018 €000
Between 0 and 90 days	3,374	1,611
Between 91 and 120 days	177	298
Between 121 and 180 days	605	686
Over 181 days	3,384	2,660
	7,540	**5,255**

26 Financial risk management (continued)

Movement in the allowance for doubtful debts

	2019 €000	2018 €000
Balance at beginning of period	2,531	1,933
Impairment provisions	1,422	988
Amounts written-off as uncollectible	(277)	(312)
Foreign exchange movements	7	(10)
Impairment provisions reversed	(33)	(68)
Balance at end of period	**3,650**	**2,531**

Ageing of past due but not impaired receivables

	2019 €000	2018 €000
Between 0 and 90 days	16,738	12,760
Between 91 and 120 days	1,647	709
Between 121 and 180 days	1,842	2,203
Over 181 days	387	620
	20,614	**16,292**

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

	2019 No.	2019 €	2018 No.	2018 €
Allotted, called up and fully paid				
Ordinary Class A shares of €1.00 each	15,789,474	15,789,474	15,789,474	15,789,474
Ordinary Class B shares of €1.00 each	14,210,526	14,210,526	14,210,526	14,210,526
	30,000,000	**30,000,000**	**30,000,000**	**30,000,000**

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

27 Share capital and reserves (continued)

Reserves

Capital reserve

In April 2017, Paragon ID SA (formerly 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 Group's capital reserve.

	2019 €000	2018 €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.

	2019 €000	2018 €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.

	2019 €000	2018 €000
Cumulative translation reserve	1,072	1,111

Retained earnings

	2019 €000	2018 €000
Retained earnings	45,072	34,343

28 Dividends paid

	2019 €000	2018 €000
Dividends declared and paid in the year	–	–

29 Capital and other commitments

	2019 €000	2018 €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	
	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000
Within one year	13,431	10,843	6,948	5,749	20,379	16,592
Between two and five years	23,957	29,446	8,673	9,322	32,630	38,768
After five years	4,146	6,080	336	189	4,482	6,269
	41,534	**46,369**	**15,957**	**15,260**	**57,491**	**61,629**

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

Operating lease commitments where the Group is lessor

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

	2019 €000	2018 €000
Not more than one year	547	558
After one year but not more than five years	137	140
	684	**698**

30 Contingent liabilities

In the Directors' opinion there are no contingent liabilities.

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 78. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 129 to 132.

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:

	2019 €000	2018 €000
Sales	2,044	2,485
Purchases	2,771	2,819
Management fees income	132	132
Management fees expense	180	272
Finance income	1,610	1,263
Finance cost	–	8
Amounts due from non wholly owned subsidiaries	42,305	36,381
Amounts payable to non wholly owned subsidiaries	1,731	–

Sales and purchases are with the Paragon Identification SAS, Bemrose Booth Paragon Limited, Paragon ID SA. and Gresset Services SAS in both years.

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 the Paragon Identification SAS, Paragon France SAS, AmaTech Group Limited, Paragon ID SA, Bemrose Booth Paragon Limited and Service Point Solutions SA.

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

Gresset Services SAS is included in Finance costs in the prior year.

Amounts due from non wholly owned subsidiaries in the current year include the Paragon Identification SAS, Paragon ID SA, Paragon Identification SRL, Bemrose Booth Paragon Limited, Service Point Facilities Management Iberica SA, AmaTech Group Limited, ASK IntTag LLC and Service Point Solutions SA plc.

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, Service Point Facilities Management Iberica SA, AmaTech Group Limited, ASK IntTag LLC and Service Point Solutions SA plc.

Amounts owed to non wholly owned subsidiaries in the current year are with Gresset Services SAS and D&MSP Celerity Services SL.

31 Related party transactions (continued)

Joint ventures

Transactions and year-end balances with joint ventures were:

	2019 €000	2018 €000
Sales	3,409	1,063
Purchases	1	4
Amounts due from joint ventures	2,571	828
Amounts owed to joint ventures	2,037	2,037

Sales and purchases are with dsi Billing Services Limited.

Amounts due from joint ventures include historic receivables from Inlays India Private Limited, trading balances from dsi Billing Services Limited and loans advanced to Airweb SAS.

Amounts due to joint ventures include historic payables with Inlays India Private Limited.

Associates

Transactions and year-end balances with associates were:

	2019 €000	2018 €000
Sales	73	148
Purchases	–	–
Amounts due from associates	5	19
Amounts due to associates	–	–

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:

	2019 €000	2018 €000
Rental income	165	–
Interest received	24	26
Purchase of asset held for sale	1,380	–
Amounts due from related parties	996	814

Rental income, interest and amounts due are in respect of Trenton Box Company Limited, a company that shares a common director. The Trenton Box Company Limited property was purchased during the year and is now held for sale.

31 Related party transactions (continued)

Key management personnel

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

	2019 €000	2018 €000
Interest payable to shareholder	2	2
Amounts payable to shareholder	–	185
Interest received from companies with common key management personnel	–	2
Amounts due from companies with common key management personnel	346	49
Amounts due to companies with common key management personnel	649	501

During the year the Group incurred €36,000 of business accommodation costs with a hotel that shares a common director with the Group and employee costs of €114,000 for individuals who are related parties by virtue of being close family member of a Director. A loan of €116,000 between the Group and Grenadier Management Investment Limited was also advanced and settled during the year.

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 60. 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

On 25 October 2019, the Group acquired RR Donnelley's European Global Document Solutions (GDS) business. GDS has locations in the UK, France, Spain, Germany, Netherlands, Poland and Italy and employs approximately 1,500 people with a turnover of €240 million in 2018. Initial consideration amounts to €38 million. This is subject to adjustment on closing of the completion acquisition balance sheet. Accordingly, no purchase price allocation exercise has yet been undertaken as the acquisition balance sheet is not fully finalised. The acquisition of the RR Donnelley's Customer Communication activities in Europe also enabled Paragon Group to enter into a strategic alliance with RRD, offering RRD's global customers the largest solution and service platform in Europe. This deal has been considered as a significant post balance sheet event due to its size and commercial importance, both to the Group and the readers of the annual financial statements.

On 31 October 2019, the Group also acquired Thames Card Technology via Paragon ID. Initial consideration amounts to €4.2 million. No purchase price allocation exercise has yet been undertaken as the acquisition balance sheet has not been finalised. Thames Card Technology has a turnover of €17 million and operates within the smart card market sector. Paragon ID is expected to expand within the retail and banking market sectors, capitalising on its RFID expertise..

33 Ultimate controlling party

The ultimate controlling party is Patrick James Crean.

34 List of principal undertakings

Details of the investments in which the Group or the Company holds at least than 3% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

PCC: Paragon Customer Communications

PID: Paragon ID

PGS: Paragon Graphic Services

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Grenadier Holdings plc	England	Ordinary	100%		Parent undertaking
PCC Global Limited	England	Ordinary	100%	(29)	Parent undertaking
Paragon Group UK Limited	England	Ordinary	100%	(1)	PCC/PGS
Paragon Identification SAS	France	Ordinary	77.50%	(4)	PID
Paragon Transaction SA	France	Ordinary	100%	(5)	PCC

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
Wordcraft Digital Print Limited	England	Ordinary	100%	(35)	Dormant
Grenadier Corporate Limited	England	Ordinary	100%	(29)	Dormant
Paragon Romania SRL	Romania	Ordinary	100%	(2)	PCC
Paragon Transaction (UK) Limited	England	Ordinary	100%	(3)	Parent undertaking
Immobiliere Paragon France SAS	France	Ordinary	100%	(29)	Property holding
Inter Routage Sologne SAS	France	Ordinary	100%	(3)	PCC
SCI de L'erigny	France	Ordinary	100%	(27)	Property holding
Gresset Services SAS	France	Ordinary	80%	(5)	PCC
D'Haussy Solutions International SAS	France	Ordinary	100%	(29)	PCC
D'Haussy GmbH	France	Ordinary	100%	(13)	PCC
Rault Eppe Solutions SAS	France	Ordinary	100%	(5)	PCC
D'Haussy Solutions SAS	France	Ordinary	100%	(2)	PCC
Immobiliere Grenadier France SAS	France	Ordinary	100%	(29)	Property holding
Bemrose Booth Paragon Limited	England	Ordinary	77.50%	(16)	PID
Print Trade Suppliers Limited	England	Ordinary	100%	(1)	PGS
Holmbergs Malmo AB	Sweden	Ordinary	100%	(1)	PGS
Njaljus AB	Sweden	Ordinary	100%	(9)	PGS
Allkopi Holding AS	Norway	Ordinary	100%	(1)	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 Nederland BV	Netherlands	Ordinary	100%	(29)	Dormant
Paragon Identification SRL	Romania	Ordinary	77.50%	(16)	PID
C&D Investments BV	Netherlands	Ordinary	100%	(29)	Dormant
FleQs BV	Netherlands	Ordinary	100%	(1)	PGS
Paragon Grenadier US Inc.	USA	Ordinary	100%	(29)	Parent undertaking
Paragon Solutions Group Inc.	USA	Ordinary	100%	(6)	PID
Paragon ID SA	France	Ordinary	77.50%	(29)	PID
ASK InTag LLC	USA	Ordinary	77.50%	(4)	PID
ASK Asia HK Limited	Hong Kong	Ordinary	77.50%	(4)	Parent undertaking
Beijing ASK Smart Technology Co Limited	China	Ordinary	77.50%	(18)	PID
Paragon Customer Communications Limited	England	Ordinary	100%	(5)	Parent undertaking
Grenadier Realty Limited	England	Ordinary	100%	(14)	Property Holding
Paragon Customer Communications (Bristol) Limited	England	Ordinary	100%	(19)	PCC
Lateral Holdings Limited	England	Ordinary	100%	(19)	Parent undertaking
Dsicmm Group Limited	England	Ordinary	100%	(19)	Parent undertaking
Lateral Group Limited	England	Ordinary	100%	(20)	Parent undertaking
Paragon Customer Communications (London) Limited	England	Ordinary	100%	(22)	PCC
Paragon Customer Communications (Nottingham) Limited	England	Ordinary	100%	(21)	PCC
Paragon Data Analytics Limited	England	Ordinary	100%	(21)	PCC

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 Nederland BV	Netherlands	Ordinary	100%	(2)	PCC
Service Point Solutions S.A.	Spain	Ordinary	81.30%	(30)	Parent undertaking
Service Point Facilities Management Iberica S.A.	Spain	Ordinary	81.30%	(31)	PGS
Service Point Belgium NV	Belgium	Ordinary	81.30%	(31)	PCC
Paragon MeillerGHP Holdings GmbH	Germany	Ordinary	100%	(29)	Parent undertaking
Paragon Customer Communications Schwandorf GmbH	Germany	Ordinary	100%	(10)	PCC
Paragon Customer Communications Czech Republic a.s.	Czech Republic	Ordinary	100%	(15)	PCC
Paragon Customer Communications Sp. z.o.o.	Poland	Ordinary	100%	(5)	PCC
MeillerGHP AB	Sweden	Ordinary	100%	(5)	PCC
Paragon Magnadata USA Inc.	USA	Ordinary	77.5%	(16)	PID
Paragon Identification Pty Limited	Australia	Ordinary	77.5%	(11)	PID
Burall Infosmart Limited	England	Ordinary	77.5%	(11)	PID
Burall InfoSyS Limited	England	Ordinary	100%	(17)	Dormant
Paragon Customer Communications (Finsbury Circus) Limited	England	Ordinary	100%	(19)	PCC
Paragon Customer Communications (Redruth) Limited	England	Ordinary	100%	(19)	PCC
Paragon Customer Communications Korschenbroich GmbH	Germany	Ordinary	100%	(10)	PCC
AmaTech Group Limited	Ireland	Ordinary	76.41%	(4)	PID
Feinics AmaTech Teoranta	Ireland	Ordinary	76.41%	(24)	PID
AmaTech Precision GmbH	Germany	Ordinary	76.41%	(24)	PID
AmaTech Inc.	USA	Ordinary	76.41%	(24)	PID
Paragon Customer Communications (Pilsen) s.r.o.	Czech	Ordinary	100%	(26)	PCC
Global Document Systems Limited	England	Ordinary	100%	(1)	PGS
Grenadier Holdings Investment Limited	England	Ordinary	100%	(29)	Parent undertaking
Paragon Customer Communications Schwandorf Realty GmbH	Germany	Ordinary	100%	(14)	Property Holding
Paragon Customer Communications Korschenboich Realty GmbH	Germany	Ordinary	100%	(14)	Property Holding
Paragon Brand France Limited	England	Ordinary	100%	(2)	Dormant
Paragon Brand Germany Limited	England	Ordinary	100%	(15)	Dormant
Paragon Graphics Limited	England	Ordinary	100%	(29)	Parent undertaking
Paperhat GmbH	Germany	Ordinary	100%	(29)	PCC
Paragon Customer Communications Weingarten GmbH	Germany	Ordinary	100%	(10)	PCC
Paragon Customer Communications (Luxembourg) SA	Luxembourg	Ordinary	100%	(23)	PCC
Paperhat India Pvt Limited	India	Ordinary	99%	(23)	PCC
Celerity Information Services (Inc).	USA	Ordinary	100%	(23)	PCC
D&MSP Celerity Services SL	Spain	Ordinary	48%	(34)	PCC
Despark UK Limited	England	Ordinary	100%	(19)	Parent undertaking

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
Despark Bulgaria EOOD	Bulgaria	Ordinary	100%	(12)	PCC
Merico Delta Print SAS	France	Ordinary	100%	(3)	PCC
Arcania SAS	France	Ordinary	100%	(2)	PCC
Innovative Output Solutions (Manchester) Limited	England	Ordinary	100%	(22)	Dormant
Pickfield Printing company Limited	England	Ordinary	100%	(28)	Dormant
Joint ventures					
Inlays India Private Limited	India	Ordinary	56.32%	(4)	Dormant
dsi Billing Services Limited	England	Ordinary	50%	(23)	PCC
Airweb SAS	France	Ordinary	50%	(4)	PID
Associates					
Response Handling Centre Limited	England	Ordinary	34%	(23)	PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(23)	PCC
Investments					
Intercopy AB	Sweden	Ordinary	7%	(9)	PGS
Output AG	Germany	Ordinary	6%	(25)	PCC
BeeBuzziness SA	France	Ordinary	15%	(29)	PCC
MyDahu Limited	England	Ordinary	4.5%	(33)	PCC

(1) Held via Paragon Graphics Limited
(2) Held via Paragon Transaction (UK) Limited
(3) Held via Paragon Transaction SA
(4) Held via Paragon ID SA
(5) Held via PCC Global Limited
(6) Held via Paragon Grenadier US Inc
(7) Held via Allkopi Holdings AS
(8) Held via Allkopi AS
(9) Held via Holmbergs i Malmo AB
(10) Held via Paragon MeillerGHP Holdings GmbH
(11) Held via Bemrose Booth Paragon Limited
(12) Held via Despark UK Limited
(13) Held via D'Haussy Solutions International SAS
(14) Held via Grenadier Holdings Investments Limited
(15) Held via Paragon Customer Communications Schwandorf GmbH
(16) Held via Paragon Identification SAS
(17) Held via Burall Infosmart Limited
(18) Held via ASK Asia HK Limited
(19) Held via Paragon Customer Communications Limited
(20) Held via Lateral Holdings Limited
(21) Held via Lateral Group Limited
(22) Held via dsicmm Group Limited
(23) Held via Paragon Customer Communications (London) Limited
(24) Held via Amatech Group Limited
(25) Held via Paragon Customer Communications Korschenbroich GmbH
(26) Held via Paragon Customer Communications Czech a.s.
(27) Held via Inter Routage Sologne SAS
(28) Held via Innovative Output Solutions (Manchester) Limited
(29) Held via Grenadier Holdings plc
(30) Held via Paragon Financial Investments Limited
(31) Held via Service Point Solutions SA
(32) Held via Paragon Grenadier US Inc.
(33) Held via Despark Bulgaria EOOD
(34) Held via Paragon Customer Communications (London) Limited.
This entity has been consolidated as the Group exerts significant influence and control over the Board of Directors.
(35) Held via Paragon Group UK Limited.

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

for the period 1 July 2018 to 30 June 2019

Parent company statement of financial position

for the year ended 30 June 2019

	Notes	2019 €000	2018 €000
Fixed assets			
Investments	4	74,943	74,999
		74,943	**74,999**
Current assets			
Other receivables	5	49	49
		49	**49**
Current liabilities			
Other payables	6	191	2,978
		191	**2,978**
Net current liabilities		**(142)**	**(2,929)**
Net assets		**74,801**	**72,070**
Capital and reserves			
Share capital	8	30,000	30,000
Capital redemption reserve		1,750	1,750
Retained earnings		43,051	40,320
Total equity		**74,801**	**72,070**

As permitted by Section 408 of the Companies Act 2006, no Income Statement account of the Company is included in these financial statements. The profit for the financial period for the Company was €2,731,000 (2018: loss €43,000).

These financial statements were approved by the Board of Directors on 16 December 2019 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 2019

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

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	€000	€000	€000	€000
Balance as at 30 June 2018	30,000	1,750	40,320	72,070
Profit for the year	–	–	2,731	2,731
Balance at 30 June 2019	**30,000**	**1,750**	**43,051**	**74,801**

Notes to the parent company financial statements

for the year ended 30 June 2019

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 Ground Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB, UK. 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 requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

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

Foreign currencies

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

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

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

1 *Accounting policies (continued)*

Investments

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the 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 cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).

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

Tax

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

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

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

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

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

Deferred tax is calculated 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.

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 balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

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

Forecasts and discount rates

The carrying values of investments in the balance sheet are dependent on estimates of future cash flows arising from Group operations which, in some circumstances, are discounted to arrive at a net present value. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).

Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rates 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 profit for the financial period for the Company was €2,731,000 (2018: loss €43,000).

3 *Auditors' remuneration*

Fees paid to the auditors in respect of their audit of the Company were €5,000 (2018: €5,000).

4 *Investments held as fixed assets*

	2019 €000	2018 €000
Cost:		
At 1 July	74,999	74,999
Additions	2,150	–
Disposals	(2,206)	–
At 30 June	**74,943**	**74,999**

The Company acquired Paragon Marketing Solutions SAS from Paragon Transaction SA during the year. Subsequently, Paragon Marketing Solutions SAS was merged into Paragon Transaction SA.

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

5 *Other receivables*

	2019 €000	2018 €000
Amount due from related undertaking	**49**	**49**

6 *Other payables*

	2019 €000	2018 €000
Amounts payable to Group companies	–	2,789
Amounts payable to shareholders	191	189
	191	**2,978**

7 *Related party transactions*

Transactions and year-end balances with related parties were:

	2019 €000	2018 €000
Interest payable to shareholder	2	2
Amounts payable to shareholder	191	189
Interest received from companies with common key management personnel	–	2
Amounts due from companies with common key management personnel	49	49

Companies with common key management personnel include Grenadier Management Limited.

Details of the Directors are given on page 60. Key management personnel are considered to be the Directors.

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

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

8 *Called up share capital and share premium account*

	2019 No.	2019 €	2018 No.	2018 €
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.

Designed by
Paragon Customer Communications UK.

Printed by
Holmbergs i Malmo, Sweden.

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