

PARAGON ID



eID

Transport &
Smart Cities

Traçabilité &
Brand Protection

Paie ment

ANNUAL REPORT

2019/20 financial year ended June 30, 2020

This document is a free translation into English from of an extract from the original French document entitled "RAPPORT FINANCIER ANNUEL", hereafter referred to as the "ANNUAL REPORT". It is not a binding document. In the event of a conflict in interpretation or figures, reference should be made to the French version, which is the authentic text.

Paragon ID
Public Limited Company (*Société Anonyme*) with a Capital of €68,786,805
Registered office: 1198, Av. du Dr Maurice Donat, 06250, Mougins France
Cannes Trade and Companies Register 413 967 159

**MANAGEMENT, GROUP MANAGEMENT AND CORPORATE GOVERNANCE REPORT
OF THE BOARD OF DIRECTORS FOR THE ATTENTION OF THE SHAREHOLDERS' MEETING**

Dear Shareholders,

We have convened this Ordinary and Extraordinary Shareholders' Meeting in accordance with the Articles of Association and legal provisions in order to propose for your approval the Company financial statements and consolidated financial statements for the financial year ended 30 June 2020.

PART I - MANAGEMENT REPORT

1. ANNUAL REPORT

1.1.1. COMPANY POSITION AND BUSINESS IN THE FINANCIAL YEAR ENDED 30 JUNE 2020

1.1.2. COMMERCIAL ACTIVITIES

The PID Group's annual consolidated revenues for the financial year ended 30 June 2020 stood at €108 million, relatively unchanged compared with the financial year ended 30 June 2019.

The Group, which reported organic growth of 7% the end of the first half and expected organic growth of 5% over the financial year, was significantly affected by the COVID health crisis which resulted not only in the closure of many borders worldwide, but also in a reduction of local travel and the use of public transport due to lockdowns in a number of regions worldwide, particularly in Europe.

The eID, Mass Transit and Track and Trace business lines have all been affected. The Payment activity is the only business line not to be affected and reported strong organic growth of 113% despite the health crisis.

The result has been a reduction in organic growth to 1% in the third quarter of the financial year with the final quarter down 36% on a like-for-like basis using constant exchange rates.

The Group is confident that it can regain double-digit growth when it exits the health crisis given its good relationships with its existing customer base, its ongoing development projects (i) in mobile ticketing, (ii) in RFID Tags, (iii) in metal payment cards and the marketing of technological licences for these, as well as the growth of its new Thames Card Technology subsidiary.

By activity

EMEA division: This division includes all of the business generated by the Group's sales and industrial teams on the European continent (Argent-sur-Sauldre, Mougins, Bucharest) targeting mainly, but not exclusively, European, African and Middle-Eastern customers.

The division recorded revenues of €56 million, i.e. 52% of the Group's sales.

The revenues generated by the EMEA division are based on the capabilities and expertise of its teams across a wide range of products offered by the Group:

- eID: Passport;
- Mass Transit: Mobile applications, Dual Interface Smart Cards and Mobile Applications, Contactless cards, Contactless tickets, Magnetic tickets, Personalisation;
- Track And Trace: Labels, RFID tags, Product services and Marketing.

The eID business line through which the EMEA division offers passport products, has been affected by the health crisis which resulted in the closure of many borders in the second half.

The Mass Transit business line, which incorporates transport-related products, performed well in the first half of the past financial year when it posted 22% growth. This growth was concentrated in sales of RFID tickets and personalisation services. However, this strong performance was reversed by the COVID-19 health crisis and, in the second half, this business line suffered a 12% decline in sales within the EMEA.

The Track and Trace business line, which incorporates products used in product traceability, brand protection and gaming, saw a stable first half, with a slight fall in traditional products, largely offset by the growth of RFID products. However, the second half also saw a decline in sales due to the health crisis which resulted in many customers scaling back their activity. The downturn in the aviation sector had a particularly strong impact on this business line which was beginning its deliveries of Air France luggage tags.

UK Division: This division incorporates all business generated by the Group's sales and industrial teams located in the United Kingdom (Hull, Rayleigh) and targeting mainly, but not exclusively, customers in Commonwealth countries.

The division recorded revenues of €34.4 million, i.e. 32% of the Group's sales.

The revenues generated by the UK division is based on the capabilities and expertise of its teams across a wide range of products offered by the Group:

- Mass Transit: Mobile Applications, Contactless cards, Contactless tickets, Magnetic tickets and Parking, Personalisation;
- Track And Trace: Labels, RFID tags, Product services and Marketing;
- Payment: Traditional payment cards, Closed-loop payment cards.

The Mass Transit business line, incorporating products for the transport sector, posted a relatively stable performance in the first half compared with the previous financial year, and was also significantly affected by the COVID crisis and particularly the reduction in the number of rail passengers in the United Kingdom and subway passengers in New York.

The Track and Trace business line, incorporating products used in product traceability, brand protection and gaming, performed well, driven by the RFID Discovery businesses added to the Group's product offering in the previous financial year. This new offering not only brought new contracts in the pre-COVID period, but was also adapted to provide the NHS (UK National Health Service) with tracking solutions for hospital equipment such as respirators. This demonstrates, once again, the Group's agility in adapting to its customers' new requirements.

The Payment business line is new for the UK division following the acquisition of Thames Card Technology. Its activities include the design, manufacture, personalisation and distribution of payment cards, loyalty cards, gift cards and other types of cards used for closed-loop payments. The effects of the health crisis on this business line were limited during the financial year. However, these began to be felt in the last month of the financial year, particularly in the case of closed-loop payment cards whilst bank payment cards continued to better withstand the crisis.

US Division: This division includes all of the business generated by the Group's sales and industrial teams located in the United States (Vermont) targeting mainly, but not exclusively, the Group's American customers. It also includes the business generated by the AmaTech (Ireland) teams targeting the Group's prospective customers in the banking sector, mainly located in the North America region.

The division recorded revenues of €17.3 million, i.e. approximately 16% of the Group's sales.

The revenues generated by the USA division is based on the capabilities and expertise of its teams across the following products offered by the Group:

- eID: Passport, Driving licences;

- Mass Transit: Mobile Applications, Contactless cards, Contactless tickets, Magnetic tickets; Personalisation;
- Payment: Traditional payment cards, Metal Bank Card, Patent Licence.

The eID business line, incorporating the Passports and Driving Licence products, performed well with growth of 25% over the financial year. This growth was driven both by the increase in the volume of American passports and the continued performance of electronic driving licences for which the Group is continuing to provide services for a number of border states.

The Mass Transit business line, incorporating transport-related products, also performed well in the financial year with 4% growth despite COVID. This growth is mainly due to the launch of production from the contract to supply personalised cards awarded for Washington during the 2020 financial year, although this was affected by the health crisis at the end of the year.

The Payment business line, incorporating traditional and metal bank cards and patent licences, performed well, driven mainly by the first technology licence contract signed during the previous financial year, enabling it to generate €2.3 million in revenues over the year. The remaining revenues were generated by licence agreements and the supply of traditional bank cards.

1.1.3. INDUSTRIAL ACTIVITIES

In the 2020 financial year the Group adapted to the new challenges brought by the COVID crisis in order to continue to meet its customers' requirements during the crisis whilst protecting its staff. The Group also began to implement measures to be best prepared to emerge from the health crisis.

In the case of the **EMEA** division, the focus was on ensuring business continuity across all industrial sites (Bucharest and Argent-sur-Sauldre) as well as furloughing staff where possible in order, not just to protect its employees, but also to resize and reorganise its teams to better respond to the reduced demand. The activities of the Mouans Sartoux research and development division are concentrated on offering the Group support in developing new markets, such as RFID tags for the retail sector and new polycarbonate eID products.

In the case of the **UK** division, activities centred on integrating the industrial operations and teams of Thames Card Technology within the Group. Following the emergence of the COVID virus in the United Kingdom, as in the case of the EMEA division, efforts focused on business continuity across all industrial sites as well as the Furlough scheme. Measures were introduced initially in Hull, then expanded to the Rayleigh site in order not just to protect its employees, but also to resize and reorganise teams to better respond to the reduced demand. At the end of the financial year, the division also launched a workforce reduction programme at its two industrial sites in order to adapt the division's resources to the new reality imposed by the health crisis.

In the case of the **US** division, the bulk of its activities concentrated on commissioning its new card personalisation tool enabling the division to offer its American customers a local service bureau. The division also expanded its process automation programme with the robotisation of a number of production and product quality inspection processes.

1.1.4. RESEARCH AND DEVELOPMENT ACTIVITIES

In the course of the year, we have relied on the expertise of R&D teams to:

- Enhance our passport product re-industrialisation programme in order to make it more competitive;
- Continue our polycarbonate development work;
- Develop a reader aimed at transport networks with capability to validate all forms of transport tickets (mobile, physical tickets, contactless cards, payment cards etc.);
- Enhance the RFID Discovery range with new services and functionalities;
- Strengthen, develop and industrialise AmaTech patents in order to offer the banking sector contactless metal payment cards;

- Develop a new RFID Tags offering aimed at major retailers and ready-to-wear fashion brands.

1.1.5. SUBSIDIARIES

N/A.

1.1.6. ACQUISITION DURING THE FINANCIAL YEAR ENDED 30 JUNE 2020

1.1.7. ACQUISITION OF THAMES TECHNOLOGY

On 31 October 2019, Bemrose Booth Paragon Ltd acquired all of the shares in Thames Card Technology Ltd, thereby obtaining control of the company.

Thames Technology is an English company which designs, manufactures, personalises and distributes payment cards, loyalty cards, gift cards and other types of cards. Established in 1994, Thames Technology now sells over 250 million cards a year, distributed to customers in over 60 countries worldwide. The acquisition of Thames Technology is a major step forward for Paragon ID's Payment business line which was created following the acquisition last year of the AmaTech Group.

This transaction represents a major opportunity for the Group to increase its market share in the various card markets in the United Kingdom, building on its already established positions in public transport and education.

1.1.8. PRESENTATION OF THE FINANCIAL STATEMENTS OF PARAGON ID SA

1.1.9. KEY EVENTS

1.1.9.1. ISSUE OF EQUITY WARRANTS AND ALLOCATION OF FREE SHARES

At its meetings on 9 and 30 July 2019, the Board of Directors approved the issuance of 51,250 equity warrants to directors and managers of the Group, the purpose of which was two-fold: to give the beneficiaries a stake in the Company in order to incentivise the search for performance and to encourage them to remain with the Group for a three-year period.

- These equity warrants may be exercised in the following proportions and subject to the following conditions:

Condition(s)	Proportion of warrants exercisable
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2020	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2021	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2022	34%
TOTAL	100%

- A total of 51,250 2018-1 equity warrants were allocated by the Board of Directors, of which 5,750 have become void, having been cancelled;
- The subscription price of these equity warrants was set at €1.75 per equity warrant;
- These 2018-1 equity warrants are exercisable over a maximum of ten years from the date provided in the table below;
- The exercise price of these equity warrants set by the Board of Directors is €33.25 per equity warrant. The total sum of the exercise price and subscription price, i.e. €35, corresponds to the par value of the Company's shares. On the days on which these warrants were allocated, the share price was below this par value.

At its meetings on 9 and 30 July 2019, the Board of Directors voted to allocate a total of 25,150 free shares ("AGAs") to the Group's directors and managers.

1.1.9.2. STRENGTHENING PARAGON ID'S BALANCE SHEET

In February 2020, the Group also announced a programme to strengthen its balance sheet, implemented through two transactions:

- i a capital increase of €0.5 million through a private placement with the waiver of preferential subscription rights;
- ii the conversion by Grenadier Holdings Plc. ("Grenadier"), of convertible bonds ("CBs") worth €10 million.

These two transactions combined, completed at a price of €35 per new share issued, strengthen the balance sheet of Paragon ID and provide additional funds to finance its continued growth. Moreover, the conversion of the convertible bonds into new shares has boosted the Company's equity and reduced the annual financial expenses of this bond issue, which stood at €0.8 million.

1.1.10. PRESENTATION OF THE FINANCIAL STATEMENTS OF PARAGON ID SA

The financial statements (balance sheet, income statement and notes) have been produced according to the same accounting rules and methods as the previous year.

The Company made a loss of €3,740 thousand in this financial year versus a loss of €(5,475) thousand in the previous financial year.

- Revenues stood at €21,250 thousand versus €30,382 thousand in the previous financial year.
- Total operating income was €22,254 thousand versus €32,279 thousand the previous financial year.
- Total operating expenses were €(24,566) thousand versus €(36,565) thousand the previous financial year.
- The Company made an operating loss of €(2,312) thousand compared with €(4,286) thousand in the previous year, including:
 - o €(3,974) thousand in wages and salaries versus €(3,330) thousand in the previous financial year;
 - o €(1,836) thousand in social security contributions versus €(1,289) thousand in the previous financial year.
- A financial loss of €(1,626) thousand was recorded versus €(1,387) thousand the previous year, comprising mainly interest on the convertible and non-convertible bonds of Grenadier Holdings Ltd in accordance with the capital contribution agreement signed by both companies in April 2017.

- Non-recurring losses of €(60) thousand were incurred versus €(359) thousand the previous financial year.

In accordance with the provisions of [article 243 bis of the French General Tax Code](#), we hereby inform you that no dividends were distributed in the previous three financial years.

Finally, in accordance with the provisions of [article 223 quater of the French General Tax Code](#), we inform you that the financial statements from the past financial year do not include any non-deductible expenses within the meaning of article 39-4 of the aforementioned Code.

The Statutory Auditors will present to you their report on these financial statements. We would then ask you to approve the aforementioned financial statements for the financial year ending 30 June 2020.

1.1.11. ALLOCATION OF INDIVIDUAL RESULTS OF PARAGON ID SA

In accordance with the law and our Articles of Association, the Shareholders' Meeting is asked to allocate the results from the financial year ending 30 June 2020, in this case totalling a loss of €(3,551,718), to "Retained Earnings" whose negative balance will thus increase from €(40,480,585) to €(44,032,303).

In light of this allocation, the Company's equity will total €84,887,304 following the capital increase of €10,500,000 during the financial year.

1.1.12. TABLE OF THE COMPANY'S RESULTS IN EACH OF THE LAST FIVE FINANCIAL YEARS

In accordance with the provisions of [article R 225-102 of the French Commercial Code](#), **Appendix A** includes a table of the Company's results in each of the last five financial years.

1.1.13. TOTAL LOANS WITH LESS THAN TWO YEARS OUTSTANDING GRANTED TO BUSINESSES WITH WHICH THE COMPANY HAS ECONOMIC TIES THAT JUSTIFY THEM

N/A.

1.1.14. INFORMATION ON SUPPLIER AND CUSTOMER PAYMENT TERMS

In accordance with articles [L.441-6-1 par. 1](#) and [D.441-4 of the French Commercial Code](#), the following is the breakdown, as of 30 June 2020:

- In the case of suppliers, of the number and total amount of outstanding invoices received and unpaid, broken down by ageing bracket and shown as a percentage of the total amount of purchases in the financial year;
- In the case of customers, of the number and total amount of outstanding invoices issued and unpaid, broken down by ageing bracket and shown as a percentage of revenues in the financial year.

Invoices received and issued not paid at the closing date of the financial year whose term has expired (table in Section I of Article D. 441-4)

in thousands of euros	Article D. 441 I.-1': Invoices <u>received</u> but not paid at the closing date of the financial year whose term has expired						Article D. 441 I.-2': Invoices <u>issued</u> but not paid at the closing date of the financial year whose term has expired					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment brackets												
Number of invoices affected	107						74					104
Total amount of the invoices affected inclusive of tax	1 860	508	133	271	369	1 280	5 505	1 242	364	412	177	2 194
Percentage of the total amount of purchases for the financial year inclusive of tax	11%	3%	1%	1%	0%	7%						
Percentage of revenues for the financial year inclusive of tax							33%	8%	2%	2%	1%	13%
(B) Invoices excluded from (A) relating to disputed or unrecorded debt and receivables												
Number of invoices excluded	223						153					
Total amount of the invoices excluded inclusive of tax	2537						7285					
(C) reference payment periods used (contractual or legal period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment periods used for the calculation of late payments	contractual payment periods						contractual payment periods					

1.1.15. SUBSIDIARIES' ACTIVITIES

In accordance with article [L.233-6 of the French Commercial Code](#), we provide a report on the activities and results of the Company's subsidiaries and acquisitions during the financial year.

1.1.16. ACTIVITIES OF EXISTING SUBSIDIARIES AT THE BEGINNING OF THE FINANCIAL YEAR:

- ASK IntTag (USA)

The company is a 99%-owned subsidiary of Paragon ID SA. It is located in Burlington, Vermont (United States). It holds a Paragon ID SA manufacturing and technology licence allowing it to manufacture products which it distributes to American and Canadian customers. In particular, it produces the US passport for the Government Printing Office (GPO) as well as the Driving Licence for a number of US states.

In the past financial year, the subsidiary reported €957 thousand in profit and €13,663 thousand in revenues (before intercompany eliminations).

- ASK ASIA HK Limited (HONG KONG)

ASK ASIA HK Ltd is a holding company, the sole activity of which is to hold equity securities in ASK Smart. It received no dividends from ASK SMART and paid no dividends to Paragon ID SA in the past financial year.

- ASK SMART Technology Co. Ltd (CHINA)

The company is a wholly-owned subsidiary of ASK Asia HK Ltd. The company ceased operations at its remote production centre for passports produced for Paragon ID SA in the financial year ended 30 June 2018.

All of the subsidiary's losses and revenues are classified in discontinued operations in the consolidated financial statements: the subsidiary reported a loss of €(35) thousand and no revenues (before intercompany eliminations).

- Paragon Identification SAS (France)

The company is a wholly-owned subsidiary of Paragon ID SA. It is located in Argent-sur-Sauldre (France). The company's activities centre on magnetic and RFID tickets as well as RFID labels and tags. The company also offers its customers solutions and services such as personalisation and encryption solutions.

In the financial year ended 30 June 2020, the subsidiary reported €(832) thousand in profit and €47,206 thousand in revenues (before intercompany eliminations).

- Paragon Identification Srl (Romania)

The company is a 99.99%-owned subsidiary of Paragon Identification SAS. It is located in Otopeni (Romania). The company was established in July 2016 as a remote production centre for flexible RFID tickets and labels as well as the production of passports on behalf of companies within the Group. The bulk of the company's revenues is from intercompany transactions.

In the financial year ended 30 June 2020, the subsidiary reported €(67) thousand in losses and €5,087 thousand in revenues (before intercompany eliminations).

- Bemrose Booth Paragon Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Paragon Identification SAS. It is located in Hull (United Kingdom). The company's activities centre mainly on the production and distribution of magnetic and RFID tickets for public transport and car park contracts, as well as equipment tracking solutions aimed at customers in the health and manufacturing sectors.

In the reporting financial year ended 30 June 2020, the subsidiary reported pre-tax losses of €(1,563) thousand and €24,198 thousand in revenues (before intercompany eliminations).

- Burrall Infosmart Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. The company's operations were transferred to Bemrose Booth Paragon in 2019 and the Wisbiech site was closed. As such the subsidiary is now dormant.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax losses of €(44) thousand and no revenues (before intercompany eliminations).

- Magnadata USA Inc (USA)

The company is wholly-owned by Bemrose Booth Paragon Ltd., distributing magnetic and RFID products manufactured by Bemrose Booth Paragon in its production plant in Hull to the North American market.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax losses of €(145) thousand and €2,938 thousand in revenues (before intercompany eliminations).

- Paragon Identification Pty Ltd (Australia)

The company is wholly-owned by Bemrose Booth Paragon Ltd., distributing RFID products manufactured by Bemrose Booth Paragon in its production plant in Hull to the Australian market.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax profits of €2 thousand and €168 thousand in revenues (before intercompany eliminations).

- AmaTech Group Ltd (Ireland)

The company is 99.72%-owned by Paragon ID SA. The company develops and markets RFID contactless technologies, particularly for use in metal bank cards.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax profits of €1,705 thousand and €3,665 thousand in revenues (before intercompany eliminations).

- AmaTech Feincis Teoranta (Ireland)

The company is a wholly-owned subsidiary of AmaTech Group Ltd. The company owns all of the patents developed by AmaTech Group Ltd. The company is dormant.

- AmaTech Precision GmbH (Germany)

The company is a wholly-owned subsidiary of AmaTech Group Ltd. The company is no longer trading, is in the process of liquidation and as such is dormant.

- AmaTech USA Inc (USA)

The company is a wholly-owned subsidiary of AmaTech Group Ltd. The company has been dormant since April 2019 since all the contracts it managed have expired or been transferred to AmaTech Group Ltd.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax losses of €(9) thousand and no revenues (before intercompany eliminations).

1.1.17. ACQUISITIONS DURING THE FINANCIAL YEAR

N/A.

1.1.18. ACTIVITIES OF SUBSIDIARIES ACQUIRED DURING THE FINANCIAL YEAR:

- Thames Card Technology Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. located in Rayleigh (United Kingdom). The company's activities centre on the design, manufacture, personalisation and distribution of payment cards, loyalty cards, gift cards and other types of closed-loop payment cards.

In the financial year ended 30 June 2020, the subsidiary reported pre-tax losses of €(42) thousand and €10,319 thousand in revenues (before intercompany eliminations).

1.1.19. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In accordance with articles L. 233-16 et seq. of the French Commercial Code, our Company has prepared consolidated financial statements with all of its subsidiaries.

The figures stated below are consolidated and prepared according to IFRS standards on the basis of a 12-month financial year ended 30 June 2020 compared with a 12-month period ended 30 June 2019. More detailed explanations and information are given in the notes to the consolidated financial statements.

As of the end of 2020, the consolidated revenues of the PID Group totalled €108 million, versus €108 million in 2019. A breakdown of sales figures is provided in Part 1 of this report.

Operating profit before depreciation, amortisation, impairment and non-recurring items totalled €7.9 million, versus €8.3 million in 2019. The figures are mainly due to the fact that revenues were largely unchanged between the two periods and included some external growth with the acquisition of Thames Card Technology Ltd which resulted in an increase in the Group's cost base. Although this increase in cost base was partially offset by immediate measures taken with the emergence of COVID, these measures did not completely offset the extension of the scope resulting from the acquisition. The Group is currently reviewing this cost base. This is illustrated by the workforce reduction plan in the United Kingdom and Romania undertaken at the very end of the financial year.

To recap, the measures taken following the emergence of COVID include:

- An immediate suspension of the use of temporary staff;
- Use of wage subsidy and furlough schemes where possible;
- Reduction in executive salaries;
- Suspension of marketing campaigns.

It should be noted that the Group significantly increased its operating profit before depreciation, amortisation, impairment and non-recurring items in the first half to 8.7% compared to the first half of the previous year when it stood at 5.6%. This shows that the Group was well positioned to achieve an operating profit well in the region of 10% over the financial year prior to the emergence of COVID. The Group considers that, with the ongoing implementation of its cost-reduction measures to adapt the Group to the new "COVID" reality, it will ultimately be in a position to meet its target of an operating profit of over 10% when the COVID crisis is over.

Non-current expenses stood at €3 million, versus €2.3 million in 2019. These mainly comprise costs incurred from redundancies, following the emergence of COVID, in order to reduce the workforce, mainly in the United Kingdom.

The increase of amortisation and depreciation from €5.8 million in the previous financial year to €8.4 million this year is the result of two factors (i) the expansion of the Group's portfolio to include the assets of Thames Card Technology and (ii) the impact of the IFRS 16 implementation resulting in the recognition of €1,623 thousand in lease costs under amortisation.

After accounting for non-recurring items and net amortisation/depreciation and provisions, the result is an operating loss of €(3.5) million in the 2020 financial year, versus an operating profit of €0.2 million in the previous year.

A financial loss of €(2.3) million was recorded, versus €(2) million in 2019. This increase is largely due to the increase in consolidated debt.

Activities resulted in a net loss of €(5.7) million in 2020, versus €(1.5) million in 2019. It should be noted that the ASK Smart subsidiary reported losses totalling €(35) thousand, versus €(215) thousand in 2019 and has been classified in discontinued operations since 30 June 2019.

As of 30 June 2020, the Group had €31.5 million in equity, versus €26.2 million as of 30 June 2019 owing to the losses and the capital increase during the financial year.

Financial debt increased from €55.1 million at the end of 2019 to €62.3 million at the end of 2020, mainly due to the State-Guaranteed Loan of €15 million granted to the Group as part of measures to address the health crisis. It should be noted that the Group only needed to draw on this resource at the end of the financial year and the bulk of funds has remained in the bank.

The Statutory Auditors will present their report on the consolidated financial statements for the financial year ending 30 June 2020.

In accordance with articles L. 225-100 and L. 233-16 of the French Commercial Code we ask that you approve the consolidated financial statements presented to you.

1.1.20. KEY EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the Group has announced a number of workforce-reduction programmes, similar to those implemented in the United Kingdom and Romania at the end of the 2020 financial year. These will focus on the Group's European and US teams. Their purpose is to size the Group to enable it not only to handle the reduction in activity caused by COVID, but also to be stronger and more agile as it emerges from the crisis. These restructuring costs are still being assessed at the date of this report, and a provision will be included in the Group's financial statements once this estimate has been completed.

1.1.21. OUTLOOK AND FUTURE PROSPECTS

In general terms, the Group considers that the COVID crisis will have delayed its growth, does not expect to see an increase in revenues in the coming financial year and hopes to resume growth from the following financial year. This is due to the fact that the Group expects disruption associated with the virus to continue for part of the 2021 financial year and until it is under control across most of the world, and/or until a vaccine becomes available.

The Group's business continuity over the next 12 months is subject to its implementation of the industrial reorganisation plan developed following the emergence of COVID-19, as well as the continued support of its main shareholder in funding this reorganisation.

The main shareholder will, as it has done since its takeover, continue to support the Group financially and with respect to human resources over the next 12 months so that it can successfully complete its industrial reorganisation.

For the eID business line:

The passport product line is expected to contract in the coming financial year with some of the Group's customers, particularly in the United States, having amassed stock during the periods of lockdown when the borders were closed. We expect the Group's customers will start to deplete some of their stock before placing new orders. As such, the Group is expecting substantially reduced volumes of US passports in the coming financial year. Volumes of European and African passports, which have a low basis of comparison, should remain steadier but will not offset the US decline.

Volumes of driving licences are also expected to fall in the coming financial year, also related to the amount of stock accumulated by the Group's customers during the lockdown period. The Group also plans to expand its offering to include certain polycarbonate identity cards to be brought to market in the next financial year.

For the Mass Transit business line:

Transport activities are expected to decline in the coming financial year. Travel is expected to continue to be affected by the health crisis, both in the global cities that are the Group's customers and on the rail network in the United Kingdom and in France. Whether due to temporary and localised lockdowns, or the recommendations of a number of governments worldwide to opt for remote working where possible and thus reduce the use of public transport, it would seem that a reduced number of passengers will travel on these networks at least until the virus is brought under control and/or a vaccine is available. However, the Group is confident that its RFID offering, its development of mobile ticketing and its partnership with Ingenico to develop an offering of multi-ticket readers (mobile, RFID, bank cards etc.) best positions it to meet the needs of the market in a post-COVID world.

For the Track & Trace business line:

Track & trace activities are expected to grow thanks in particular to the development of RFID Tags aimed at major retailers. They should largely offset the anticipated contraction of traditional ticket markets and delays in launching the Air France RFID luggage tags caused by the health crisis. Moreover, the Group expects continuous expansion of RFID Discovery which is currently expanding its offering to include not just the health sector (Hospitals) but major industrial groups, enabling them to track their equipment.

For the Payment business line:

Payment activities are expected to grow strongly. The Group considers that these activities remain at an embryonic stage in the 2020 financial year. New licence agreements signed in the financial year have yet to generate significant revenue due to the delay in the manufacture of metal cards by the Group's customers. These new agreements should generate new high-margin revenue in the coming years.

In 2020, Paragon intends to continue to expand and increase its profitability.

This means simultaneously:

- Continuing to re-industrialise its passport and transport card products with the support of its R&D teams;
- Continuing to develop new Polycarbonate products;
- Continuing to distribute its mobile offering to transport networks;
- Launching its multi-ticket reader;
- Marketing its RFID Tag offering aimed at major retailers;
- Extending its penetration into the banking sector, drawing on its strategic advantage in contactless metal cards, as well as the expansion of its new subsidiary, Thames Card Technology.

1.1.22. MAIN RISKS AND UNCERTAINTIES

In the financial year, the Group updated its risk mapping on the basis of the risk factors identified with the release of "Document E", published by the French Financial Markets Authority on 30 March 2017 under number E.17-010. These are presented under Section 3.1.4 "Risk Factors".

In the process of this review the Group confirmed the risks identified as well as its risk management policy which was considered fit-for-purpose.

A limited number of risks was added as well as a policy for managing them.

1.1.23. EMPLOYEE PROFIT-SHARING AND TRANSACTIONS COMPLETED BY THE COMPANY OR AFFILIATED COMPANIES IN THE FORM OF STOCK OPTIONS OR THE SUBSCRIPTION OF SHARES RESERVED FOR EMPLOYEES AND DIRECTORS AS WELL AS THROUGH THE ALLOCATION OF FREE SHARES TO THOSE SAME INDIVIDUALS

In accordance with the provisions of [L.225-102 of the French Commercial Code](#), we hereby inform you of the status of employee shareholding as of the reporting date, i.e. 30 June 2020.

Employee shareholdings account for 0.0010% of share capital.

As of 30 June 2020, the Company had not introduced an Employee Savings Plan (PEE) or a Company Employee Mutual Fund (FCPE). Consequently, no employees of the Company or affiliated companies as defined by article [L.225-180](#) of the French Commercial Code held Company shares as part of a PEE or FCPE.

In accordance with the provisions of articles [L.225-180 II](#) and [L.225-184](#), each year a special report notifies, where applicable, the Ordinary Shareholders' Meeting of any transactions by the Company or affiliated companies to allocate stock options to Company employees or executives.

Since neither the Company nor affiliated companies have allocated to employees or executives stock options, no such report has been prepared.

In accordance with the provisions of [L. 225-197-4](#) and [L. 225-197-5](#), each year a special report notifies the Ordinary Shareholders' Meeting of any transactions by Companies or affiliated Companies to allocate free shares to employees and corporate officers. This report details the number and value of free shares allocated to corporate officers of the aforementioned companies, to each of the Company's 10 employees with no corporate office with the highest number of free shares, as well as the number and value of shares allocated over the period to all employees, the number of beneficiaries and the breakdown of shares allocated between the categories of these beneficiaries.

The Company allocated free shares following resolutions by the Board of Directors on 9 and 30 July 2019. The report required under the aforementioned code is appended to this report. The affiliated companies did not allocate any free shares.

2. INTERNAL CONTROL

In order to improve its internal control system, the Group has decided to refer to the implementation guide for medium and small caps of the Reference framework for risk management and internal control published by the AMF on 22 July 2010.

2.1.1. INTERNAL CONTROL: DEFINITION AND OBJECTIVES

The internal control system supports the management of Group activities, the smooth running of its operations and the efficient use of its resources. The Group has implemented an internal control system which aims to ensure:

- The completion and optimisation of transactions, including transaction performance and the protection of assets;
- The reliability of financial and management information, the accuracy and comprehensive nature of accounting records and the timely production of reliable accounting and financial reports;
- The compliance of activities with current laws and regulations;
- The prevention and control of risks arising from the company's operations, risks of error or fraud, in particular of a financial or accounting nature.

As with any control system, it cannot, however, fully guarantee that the Group's objectives will be met, nor that risks of error or fraud have been fully controlled or eliminated.

2.1.2. RESPONSIBILITY FOR INTERNAL CONTROL

Monitoring the effectiveness of internal control and risk management systems falls within the remit of the Board of Directors, through its Audit Committee. The aim of this committee is to offer guidance, advise and make recommendations on internal control to the Board of Directors.

Members of the management team and financial departments are responsible for the implementation, formalisation and monitoring of the internal control system.

All of the Group's employees play a part in the internal control system.

2.1.3. DISSEMINATION OF RELEVANT AND RELIABLE INFORMATION

The Group regularly publishes press releases to provide shareholders and the public with regulated information and any information it deems necessary. Press releases are drafted externally by a PR agency and reviewed by the Chief Executive Officer before being submitted to the Group's Board of Directors.

Annual and half-yearly financial press releases are reviewed by the Audit Committee.

Other press releases are reviewed by the Executive Committee and discussed with the Board of Directors if they contain strategic information.

2.1.4. RISK IDENTIFICATION AND ANALYSIS

The main types of risks are divided into three categories:

- Risks associated with the Group's activities, markets and organisation;
- Financial, legal and corporate risks;
- Environmental, ethical and social risks (the main risks being presented in the non-financial performance declaration).

2.1.5. CONTROL ACTIVITIES

2.1.6. THE MAIN PROCEDURES PUT IN PLACE BY THE GROUP ARE AS FOLLOWS:

- Expenses procedure
- Purchasing procedure
- Call to tender and contracts review procedure
- Banking authorisation procedure
- Recruitment procedure
- Invoicing procedure
- Physical inventory procedure
- Capital expenditure procedure (CAPEX)
- Budgeting procedure
- Handling of confidential information
- Anti-corruption Code of Conduct

2.1.7. PROCEDURES RELATED TO OPERATIONAL PROCESSES

Sales Process/Customers

Particular attention is paid to revenue recognition. The criteria for recognising revenues, using IFRS standards, are approved prior to any measurement.

The degree of exposure to counterparty risk is low in commercial activities due to the profile of the Group's customers. However, in the case of new customers, specific procedures are implemented to verify their solvency, such as advance payments, for example.

Late payments give rise to regular reminders and legal action where necessary.

Purchasing/Supplier process

Each purchase is subject to prior authorisation ("Purchase Request") which, where applicable, may require approval from General Management, particularly in the case of significant capital expenditure ("Capex").

Given the nature of the Group's activity, the number of suppliers remains low and is regularly reviewed by Operational Management.

Payroll Process/Personnel

Hiring is carried out by human resources following approval by General Management. Incoming and outgoing staff are monitored in an intranet application. Components of variable compensation are proposed by each manager, assessed by human resources against the (i) compensation policy and (ii) any annual mandatory wage-bargaining agreements, and finally approved by General Management. Payroll is outsourced to a recognised service provider and the importation of data is monitored on a monthly basis.

2.1.8. PROCEDURES RELATING TO ACCOUNTING AND FINANCIAL INFORMATION

Reporting

Reporting on the results of each subsidiary and the progression of management indicators is produced each month and reviewed on a monthly basis ("Management meeting") with General Management.

The Group also produces monthly reporting for the attention of the Paragon group, the Group's majority shareholder.

Financial statements

The production, processing and disclosure of financial information published in accordance with French and IFRS standards is done in-house, with the support of the Central Financial Services Department of the Paragon group.

Each year, General Management and the Finance Department analyse the new IFRS standards and their potential impact on the financial statements.

Cash and cash equivalents

A clear separation is made between accounting functions and the management of payment methods. Physical security (access to premises, protection of payment methods) is taken into account. The Group does not perform speculative transactions on interest rates or currencies but may be required to perform hedging transactions.

At its meeting on 30 May 2017 the Board of Directors authorised a cash agreement between the Group and Paragon Group Ltd, Grenadier Holdings Ltd and the subsidiaries of the Paragon group. Under this agreement, the Group authorised Paragon Group Ltd to manage its cash. As such, it can approve and receive advances.

2.1.9. INTERNAL CONTROL SYSTEM STEERING AND OVERSIGHT

The Audit Committee oversees the internal control system, based on recommendations by the Statutory Auditors, to ensure it is consistent with the Group's objectives. Following analysis, the committee issues guidance on steering internal control for the relevant departments, chief among which is the Finance Department.

2.1.10. REVIEW OF ACTIONS COMPLETED IN THE FINANCIAL YEAR

In financial year 2019-2020, the Group and Company continued to strengthen their accounting and finance teams, particularly in France and the United States.

The Group also extended its IT projects to standardise and safeguard (i) the preparation of accounting information, (ii) its reporting, (iii) as well as its circulation to various parties. As such the Group rolled out a new accounting system at its US subsidiary to replace the previous system which no longer met the Group's needs. The new system is secure and modern and the data was migrated from the old system without difficulty.

2.1.11. AREAS FOR IMPROVEMENT AND OUTLOOK

In the area of accounting and financial reporting, as stated above, the Group and the Company will continue these projects to streamline and standardise reporting systems in the coming year. In parallel, efforts will be made to strengthen the accounting and finance teams, particularly in the subsidiaries.

In other areas of internal control, the Group will continue to standardise its two internal control frameworks: that of the Paragon group and that of the listed companies, in accordance with the principles published by Euronext and the French Financial Markets Authority.

2.1.12. BREAKDOWN OF OPERATIONS ON SECURITIES BY EXECUTIVES, SENIOR MANAGEMENT OR INDIVIDUALS WITH WHICH THEY HAVE CLOSE TIES

N/A.

2.1.13. SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

The Company has produced a non-financial declaration which is presented in **Appendix B** of this report.

PART II - CORPORATE GOVERNANCE REPORT

This section is presented in accordance with the provisions of article L.225-37 paragraph 6 of the French Commercial Code.

To organise its governance, the Board of Directors decided to refer to the **Middlenext Corporate Governance Code**, as updated by Middlenext in September 2016 (hereinafter “the Middlenext Code”) and approved as a reference code by the French Financial Markets Authority. The Corporate Governance Report is available on the Middlenext website.

In accordance with the “apply or explain” principle, this report specifies the provisions of the aforementioned Corporate Governance Code which have not been applied by the Company and the reasons for non-application.

3. GOVERNANCE AND MANAGEMENT BODIES: OPERATING PROCEDURES

3.1.1. COMPANY MANAGEMENT

The Company is a public limited company (*société anonyme*) with a board of directors which operates as set out in articles 10 and 11 of its Articles of Association.

The Company’s Board of Directors has been chaired by John Rogers since 28 April 2017.

Article 12 of the Company’s Articles of Association sets out the rules of procedure governing the Company’s General Management.

It is responsible for General Management, either through the Chairman of the board of directors, or another natural person appointed by the Board of Directors as Chief Executive Officer.

At its meeting on 12 December 2018, the Board of Directors voted to appoint Clément Garvey as the Company’s Chief Executive Officer for a term ending at the end of the first meeting of the Board of Directors following the Shareholders’ Meeting called to approve the financial statements for the financial year ended 30 June 2020.

Like all members of the management team, his biography is available on the Company’s website: <https://www.paragon-id.com/en/content/management-team>.

3.1.2. POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer represents the Company in its dealings with third parties.

The powers of the Chief Executive Officer are described in article 12 of the Company’s Article of Association. The Chief Executive Officer is invested with the most extensive powers to act in any circumstances on behalf of the Company. His powers are restricted to the company’s purpose and subject to those expressly conferred by shareholders’ meetings and the Board of Directors.

Moreover, at its meeting on 30 May 2017, the Board of Directors placed the following limits on the powers of the Chief Executive Officer:

Decisions that may only be taken with the prior authorisation of the Board of Directors	
Disposal of Company assets with a value in excess of.....	Five million euros (€5,000,000)
Entering into sales agreements or customer agreements for an annual amount in excess of	Four million euros (€4,000,000)
Entering into sales agreements or customer agreements for an amount in excess of	Ten million euros (10,000,000)
Entering into purchase and supply agreements for an annual amount in excess of	Two million euros (€2,000,000)
Capital expenditure in excess of	Five hundred thousand euros (€500,000)
Entering into leases for an annual amount in excess of	One hundred and fifty thousand euros (€150,000)
The hiring and dismissal of employees whose gross annual salary, including employer contributions, is in excess of	One hundred thousand euros (€100,000)
Changes to gross annual salaries, including employer contributions, in excess of	Twenty thousand euros (€20,000) or Two (2)% in the case of collective bargaining
Awarding of bonuses to any employee for an annual gross amount, including employer contributions, in excess of	Twenty thousand euros (€20,000)
Approval of the annual budget and strategy	

Article 10 of the Company's Articles of Association supplements these provisions specifying that, in the event of a tie, the Chairman of the board of directors has the deciding vote.

3.1.3. DEPUTY CHIEF EXECUTIVE OFFICER

The Company has not appointed a Deputy Chief Executive Officer.

The list of executives is as follows:

As of the date of this report:

Last name	Office	Beginning of term	End of term	Position and office within the Company
John Rogers	Chair	28 April 2017 (first term of office as director)	Following the first meeting of the Board of Directors to be held after 24 July 2020	Chairman of the board of directors
Clement Garvey	Chief Executive Officer (not on the board)	12 December 2018	At the end of the first meeting of the Board of Directors following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Chief Executive Officer

3.1.4. COMPOSITION AND FUNCTIONS OF THE BOARD OF DIRECTORS

3.1.5. COMPOSITION OF THE BOARD OF DIRECTORS

The Company is governed by a Board of Directors made up of no fewer than four members and no more than eighteen members, unless otherwise permitted by law.

The length of the term of office of directors was reduced from six years to two years by the Shareholders' Meeting on 27 April 2017 (5th resolution). Terms of office end following the Ordinary Shareholders' Meeting called to approve the financial statements for the past financial year and held in the year in which their term of office expires.

All terms of office are of equal length and end following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020.

As of 30 June 2020, the composition of the Company's Board of Directors was as follows:

Last name	Office	Beginning of term	End of term	Other company positions and offices
John Rogers	Director Chairman of the board of directors	28 April 2017 (first term of office – co-opted) 12 December 2018 (first appointment)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member of the Compensation and Appointments Committee Member of the Disclosure Committee
Valery Huot, representing LBO France Gestion	Director	Reappointed on 12 December 2018 (first appointed on 22 July 2005)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member of the Audit Committee Member of the Compensation and Appointments Committee
Elisabeth "Lis" Astall	Director	28 April 2017 (first term)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member of the Audit Committee
Dominique Durant des Aulnois	Director	28 April 2017 (first term)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Secretary-General Member of the Audit Committee Member of the Compensation and Appointments Committee Member of the Disclosure Committee
Laurent Salmon	Director	12 December 2018 (first term)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	N/A
Alyna Wnukowsky	Director	12 December 2018 (first term)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	N/A

Maurizio Petitbon, representative of Kreos Capital, is the Company's only non-voting member and has a six-year term which expires following the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2022, to be held in 2022.

3.1.6. GENDER REPRESENTATION ON THE BOARD OF DIRECTORS

Under article [L. 225-18-1](#) of the French Commercial Code, the proportion of directors of each sex may not be below 40% in companies whose shares are traded on a regulated market and, following the next Shareholders' Meeting called to approve appointments, in companies which, for the third year running, employ, on average, at least five hundred permanent employees and have net revenues or total assets of at least €50 million.

In these companies, where a board of directors comprises over eight members, the difference between the number of directors of each sex must not be greater than two.

The Board of Directors comprises four men and two women. As such, the principle of gender balance on the Company's Board has been complied with at 30 June 2020.

3.1.7. GENDER BALANCE ON THE BOARD OF DIRECTORS

Every year the Board of Directors discusses the Company's equality in the workplace and pay equality policies based on the gender equality indicators set out in article L. 2312-18 of the French Labour Code and article L. 1142-8 of that code, where applicable, as well as on the basis of the gender equality plan referred to in article L. 1143-1 of the aforementioned code where applicable.

3.1.8. BOARD OF DIRECTORS' FUNCTIONS

In accordance with the Law, the Board of Directors sets the Company's strategic priorities and oversees their implementation.

Subject to the powers expressly conferred by law to ordinary shareholders' meetings and within the limit of the Company's purpose, it addresses any issues relating to the smooth running of the Company and, through its deliberations, settles any relevant matters. The Board of Directors examines and approves the Company's key strategic priorities.

The operation and powers of the Board of Directors are governed by the provisions of the French Commercial Code, the provisions of article 10 of the Company's Articles of Association and the Internal Regulations. Its main duties are:

- Determining the operational and strategic direction of the business;
- Appointing the Chairman of the board of directors and the Chief Executive Officer responsible for managing the business in accordance with this strategy;
- Determining their compensation and choosing the organisational structure (separation of duties of the Chair and Chief Executive Officer or combined duties);
- Authorising the agreements and commitments referred to under articles L 225-38 et seq. of the French Commercial Code;
- Controlling the management and overseeing the quality of information provided to shareholders as well as to the markets, through the financial statements or at the time of significant transactions.

The Board of Directors may delegate authority to any representatives of its choice subject to the restrictions set out in law and the Articles of Association.

3.1.9. INDEPENDENCE OF BOARD MEMBERS

At its meeting on 22 October 2020, the Board of Directors reviewed the position of directors in respect of the independence criteria defined by the Middenext Code and adopted by the Company in the Board's Internal Regulations, namely:

- not being, or have not been in the last three years, an employee or executive corporate officer of the Company or a company within the Paragon ID Group;
- not being a customer, supplier or significant bank of the Company or the Paragon ID Group or for which the Company or Paragon ID Group represents a material proportion of their business;
- not being one of the Company's reference shareholders;
- not having close family ties with a corporate officer or reference shareholder;
- not having been a Company auditor within the last three years.

The Board noted that John Rogers, Dominique Durant des Aulnois, LBO France Gestion represented by Valéry Huot and Laurent Salmon are not independent directors since they are reference shareholders, have connections to a reference shareholder or have been an executive corporate officer of the Company within the last three years in the case of Mr Rogers.

However, the Board concluded that Lis Astall and Alyna Wnukowsky meet all the aforementioned criteria and as such are deemed to be independent directors. As such, the Company is in compliance with [recommendation no. 3](#) of the Middenext Code. In order to assess the materiality of any business relationships between it and these independent directors, the Company drew not only on the criteria examined above, but also on the conclusions of the Viénot I report (Association des Entreprises Privées, AFEP and CNPF: Working group report on the board of directors of listed [companies](#), July 1995) and II report (Association des Entreprises Privées, AFEP and MEDEF: report of corporate governance committee, chaired by Mr Vienot, July 1999) and the Bouton Report (AFEP-AGREF, MEDEF: For better governance of listed companies, Working group report chaired by D. Bouton, September 2002). There is significant overlap between the criteria in this report and those set out in the Middenext Code. As such Lis Astall and Alyna Wnukowsky:

- are not, and have not been in the last five years, employees or corporate officers of the Company, employees or directors of its parent company nor a consolidated company;
- are not corporate officers of a company in which the Company directly or indirectly holds a directorship or in which an employee designated as such or as a corporate officer of the company holds a directorship;
- are not significant customers, suppliers, corporate banks or investment banks of the Company or a group or for which the company or its Group represents a material portion of its business;
- have no close family ties with a corporate officer of the Company;
- have not audited the Company in the previous five years;
- have not been directors of the Company in the last twelve years.

Finally, Lis Astall and Alyna Wnukowsky are not bound by any obligations which might call into question their status of independent director.

3.1.10. TERMS OF OFFICE

The term of office of directors has been shortened from six to two years, by decision of the Shareholders' Meeting of 27 April 2017 (resolution no. 5). This term of office complies with [recommendation no. 9](#) of the Middenext Code which specifies that terms of office must not be too long or too short and must be adapted to the specific characteristics of the business.

The Board of Directors acknowledged that the terms of office should not end concurrently and will work on a more harmonious reappointment schedule in the future.

3.1.11. PROFESSIONAL ETHICS

Further, in accordance with [recommendations no. 1 and 2](#) of the Middenext Code, at the time of their appointment, each director has been made aware of their responsibilities, in particular:

- To observe rules governing professional ethics relating to obligations arising from their remit;
- To comply with legal rules governing the holding of multiple offices;
- To notify the Board in the event of a conflict of interest arising after their appointment;

- To regularly attend meetings of the Board of Directors and shareholders' meetings;
- To ensure that they have all information required for the agenda of Board meetings prior to taking any decisions;
- To comply with professional secrecy.

In accordance with [recommendations no. 1, 2 and 7](#) of the Middenext Code, the Internal Regulations of the Board of Directors contain provisions for situations that present a risk of conflict of interest, particularly in terms of informing the Board of Directors and AMF, abstaining from votes or taking part in deliberations. The Company complies with the Middenext recommendation on holding multiple offices.

3.1.12. CHOICE OF DIRECTORS

In accordance with [recommendation no. 8](#) of the Middenext Code, prior to each appointment of a new member, the Board reviews the candidate's position against independence criteria as well as their areas of expertise, to assess the extent to which they align with the Board's duties, as well as the extent to which they complement the expertise of the other Board members.

3.1.13. OFFICES OF DIRECTORS AND CORPORATE OFFICERS

The list of offices and positions held in any company by the Chairman of the board of directors, the Chief Executive Officer and directors **during the financial year** is as follows:

First name, last name or denomination	Position/type of office	Name of the company, legal status
Clément Garvey	Chief Executive Officer	PARAGON ID, SA
	Director	Lesoudeur Ltd
	Director	Tetrafloat Ltd
	Deputy Chief Executive Officer	Paragon Identification, SAS
	Deputy Chief Executive Officer	PARAGON ID Technologies
John Rogers	Chairman of the board of directors	PARAGON ID, SA
LBO France Gestion	Chair	Financière LBO France (Simplified Joint Stock Company)
	Member of the Supervisory Committee	Financière RG Safety SAS (Simplified Joint Stock Company)
	Chair	OPCI Lapillus I (Simplified Joint Stock Company)
	Chair	SAS de Bagneux (Simplified Joint Stock Company)
	Managing director	Lapillus Invest I (Partnership)
	Managing director	SCI TM Courbevoie (SCI, a property partnership)
	Chair	SASU TM Courbevoie Holdco (Simplified Joint Stock Company)
	Chair	OPCI Lapillus II (Simplified Joint Stock Company)
	Managing director	Lapillus Invest II (Partnership)
	Managing director	Lapillus Gestion (Partnership)
	Board member	6WIND (Public Limited Company with a Board of Directors)
	Board member	ANEVIA (Public Limited Company with a Board of Directors)
	Board member	BIOMODEX

		(Simplified Joint Stock Company)
Board member (since 13/07/2017)	BIOSERENITY	(Simplified Joint Stock Company)
Board member	CROCUS TECHNOLOGY	(Public Limited Company with a Board of Directors)
Member of the Strategic Committee	DEVISPROX	(Simplified Joint Stock Company)
Board member	DST Holding	(Simplified Joint Stock Company)
Board member	Entrepreneurs & Investisseurs Technologies	(Public Limited Company with a Board of Directors)
Board member (until January 2019)	EXPWAY	(Public Limited Company with a Board of Directors)
Member of the Supervisory Board	FITTINGBOX	(Public Limited Company with an Executive and Supervisory Board)
Board member	H4D	(Simplified Joint Stock Company)
Member of the Supervisory Board	KAYENTIS	(Simplified Joint Stock Company)
Member of the Strategic Committee (until May 2019)	MARIANNE HOLDING	(Simplified Joint Stock Company)
Board member (since 13/07/2017)	OPENHEALTH	(Public Limited Company with a Board of Directors)
Board member	PARAGON ID	(Public Limited Company with a Board of Directors)
Board member	ROCTOOL	(Public Limited Company with a Board of Directors)
Board member (since October 2018)	STILLA TECHNOLOGIES	(Simplified Joint Stock Company)
Member of the Supervisory Board	TEEM PHOTONICS	(Public Limited Company with an Executive and Supervisory Board)
Board member (since 11/04/2018)	VOLUNTIS	(Public Limited Company with a Board of Directors)
Member of the Strategic Committee	WANDERCRAFT	(Simplified Joint Stock Company)
Valéry Huot	Partner, Head of Venture	LBO France Gestion (Simplified Joint Stock Company)
	Chair (since September 2018)	ARBEVHIO CAPITAL SAS (Simplified Joint Stock Company)
	Permanent representative of LBO France Gestion on the Board of Directors	6WIND (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	ANEVIA (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	BIOMODEX (Simplified Joint Stock Company)
	Permanent Representative of LBO France Gestion on the Board of Directors (since 13/07/2017)	BIOSERENITY (Simplified Joint Stock Company)
	Permanent representative of LBO France Gestion on the Board of Directors	CROCUS TECHNOLOGY (Public Limited Company with a Board of Directors)
	Member of the Board of Directors	CROCUS TECHNOLOGY INTERNATIONAL Corp. (CTIC) (United States)
	Permanent representative of LBO France Gestion on the Board of Directors	DST Holding (Simplified Joint Stock Company)

	Permanent representative of LBO France Gestion on the Board of Directors	EXPWAY (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	H4D (Simplified Joint Stock Company)
	Permanent Representative of LBO France Gestion on the Board of Directors (since 13/07/2017)	OPENHEALTH (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	PARAGON ID (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	ROCTOOL (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Strategic Committee	WANDERCRAFT (Simplified Joint Stock Company)
Dominique Durant des Aulnois	Board member	PARAGON ID, SA
	Board member	Paragon Identification SRL (Bucharest)
	Joint managing director	Le Coin des 9
Elisabeth "Lis" Astall	Board member	PARAGON ID, SA
	Non-executive director	Standard Bank Offshore Group LTD
	Non-executive director	Standard Bank Jersey LTD
	Non-executive director	Digital Jersey LTD
	Non-executive director	Jersey Electricity
	Non-executive director	UK Sports (Department of Culture Media and Sport) (ended 30 September 2019)
	Non-executive director	VFS (Switzerland) (since December 2018)
Laurent Salmon	Board member	PARAGON ID, SA
	Director	Paragon Group Ltd (UK)
	Director	Grenadier Holdings plc
	Director	PCC Global Limited
	Director	Paragon Transaction UK Ltd
	Director	Paragon Financial Investments Ltd
	Director	Paragon Group UK Ltd
	Director	Print Trade Suppliers Ltd
	Director	Bemrose Booth Paragon Ltd
	Director	Grenadier Corporate Limited
	Director	Wordcraft Digital Print Ltd
	Director	Paragon Customer Communications Limited
	Director	Grenadier Realty Limited
	Director	Dsicmm Group Ltd
	Director	Paragon Customer Communications (Bristol) Ltd
	Director	Lateral Holdings (UK) Ltd
	Director	Lateral Group Ltd
	Director	Paragon Customer Communications (London) Ltd
	Director	Paragon Customer Communications (Nottingham) Ltd
	Director	OT Group Ltd
	Director	Pickfield Printing co Ltd
	Director	Burall Infosmart Ltd
	Director	Burall InfoSys Ltd
	Chief Executive Officer/Director	Paragon Transaction SA
	Chief Executive Officer	Paragon Identification SAS
	Chief Executive Officer	Paragon ID Technologies SAS
	Director	Paragon ID SA
	Chief Executive Officer	Immobiliere Paragon France SAS
	Managing director	SCI de L'Erigny SAS

Chief Executive Officer	Inter Routage Soulogne SAS
Deputy Chief Executive Officer	Gresset Services SA
Chief Executive Officer	D’Haussy Solutions International SAS
Chief Executive Officer	D’Haussy Solutions SAS
Chief Executive Officer	Rault Eppe Solutions SAS
Director	Paragon Meiller Holdings GmbH
Director	Paragon Customer Communications Schwandorf GmbH
Board Member	Paragon Customer Communications Czech Republic a.s.
Board Member	Paragon Customer Communications Poland Sp. Zoo
Chair	Paragon Identification SRL
Director, shared authorisation	Service Point Belgium NV
Director	Allkopi holding AS
Director	Allkopi AS
Board Member	Holmberg i Malmo AB
Board Member	Nyaljus AB
Chief Financial Officer	Paragon Solutions Group Inc
Director	Paragon Magnadata inc
Director	Paragon Identification Australia Pty
Director	Grenadier Holdings Investments Ltd
Director	Despark UK Limited
Director	Paragon Brand France Limited
Director	Paragon Brand Germany Limited
Director	Paragon Graphics Limited
Director	Innovative Output Solutions (Manchester) Ltd
Director	Global Document Systems Ltd
Director	Paragon Customer Communications Schwandorf GmbH
Director	Paragon Customer Communications Korschenbroich GmbH
Director	Paragon Customer Communications Weingarten GmbH
Non-Executive Director	Despark Bulgaria EOOD
Chief Executive Officer	Merico Delta Print SAS
Board member	Paragon Customer Communications (Luxembourg) SA
Director	Paragon Customer Communications (Finsbury Circus) Ltd
Director	Paragon Customer Communications (Redruth) Ltd
Director	Investment Paragon Ltd
Chair	Immobiliere Grenadier France SAS
Board Member	Paragon Customer Communications (Pilsen) a.s.
Director	Paragon Grenadier USA inc
Director	AmaTech Group Ltd
As representative of Service Point Solutions SA	Service Point Facilities Management Iberica SA
As representative of PFI Ltd	Service Point Solutions SA
Director	Paragon Realty Schwandorf GmbH
Director	Paragon Realty Korschenbroich GmbH
Chief Executive Officer	Arcania SAS
Director	Critical Mail Continuity Services Limited
Director	Devonshire Appointments Limited
Director	Paragon Customer Communications International Ltd
Director	PCC GDS Limited
Director	Image Factory Retail Graphics Limited
Director	A. E. Tyler Limited
Director	Optimum Media Marketing Services Ltd
Chief Executive Officer	PCC International France SAS
Chief Executive Officer	C.B. Info – Groupe Bernard
Alyna Wnukowsky	Board member PARAGON ID SA

4. ARRANGEMENTS FOR PREPARING AND ORGANISING THE WORK OF THE BOARD OF DIRECTORS

4.1.1. INTERNAL REGULATIONS

The Internal Regulations of the Board of Directors were adopted by the Board of Directors on 28 April 2017. They were amended on 29 June 2020 to remove article 5.3 requiring unanimity for the adoption of certain resolutions.

The aims of the Internal Regulations include:

- specifying the composition, organisation, role and powers of the Board of Directors in relation to the Shareholders' Meeting as well as certain existing legal provisions and Articles of Association;
- optimising the effectiveness of meetings and discussions and acting as a reference for the Board of Directors' regular review of its procedures;
- in more general terms, ensuring that the Company's Management is governed by rules upholding the fundamental principles of corporate governance.

With this in mind, under the Internal Regulations the Chair is required to provide each director with all documents and information required to fulfil their duties.

Under the Board of Directors' Internal Regulations, for the purposes of calculating the quorum and majority, directors who attend board meetings by videoconference and telecommunication means which enable them to be identified and allows them to participate effectively are deemed to be in attendance.

However, it is not possible to attend board meetings by videoconference or telecommunication means for the transactions referred to under L. 232-1 and L. 233-16, i.e. preparing the annual financial statements and management report as well as preparing the consolidated financial statements and management report of the PID Group.

4.1.2. INFORMATION FOR BOARD MEMBERS

In order to participate effectively in the work and deliberations of the Board of Directors, the Company shares all relevant documents with directors in a timely fashion. Each director is authorised to meet with the Company's main executives. The Board of Directors is regularly informed by the Chief Executive Officer of the Company's financial position, cash and cash equivalents, financial commitments and key events in accordance with [recommendation no. 4](#) of the Middlednext Code.

4.1.3. EVALUATION OF THE BOARD'S WORK

According to [recommendation no. 11](#) of the Middlednext Code, the Chairman of the board of directors must invite members to express their views on how the Board of Directors operates and on the preparation of its work.

As such, the Company's Board of Directors met on 29 June 2020 to review its compliance with the recommendations of the Middlednext Code. In this context, the Board of Directors gave its views on (i) how it operates and the preparation of its work, and (ii) the presence of independent directors. It also acknowledged that it had read all of the recommendations of the Middlednext Code and concluded that the Company was in compliance with the aforementioned recommendations or that they were not applicable.

4.1.4. MEETINGS OF THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

In accordance with [recommendation no. 5](#) of the Middlednext Code, the Board of Directors meets as often as the Company's interests dictate, and at least four times a year. In accordance with the provisions of article 10 of the Company's Articles of Association, Board members are convened by the Chair.

During the financial year the Board of Directors met 12 times and its decisions or deliberations were minuted. The average rate of attendance of its members was 80.55%.

At these meetings, the matters discussed by the Board included: the Group's development strategy, approval of annual and half-yearly financial statements, financial management, executive compensation, governance, managing the COVID-19 crisis, preparing the Ordinary and Extraordinary Shareholders' Meetings, review and authorisation of acquisitions.

4.1.5. SPECIALIST COMMITTEES

The Company has a Compensation and Appointments Committee, an Audit Committee and a Disclosure Committee.

The Board of Directors' Internal Regulations contain provisions relating to (i) the Compensation and Appointments Committee and (ii) the Audit Committee. As such, the Company has complied with [recommendation no. 6](#) of the Middlednext Code.

The following table presents the composition of the Board and committees as of 30 June 2019:

Last name	Office	Main positions within the Company	Independent director	Date of first appointment	End of term	Audit Committee	Compensation and Appointments Committee	Disclosure Committee
John Rogers	Chairman of the board of directors	Until 24 July 2018, none. Since 24 July, Chair-Chief Executive Officer	No	Reappointed on 12 December 2018 (First appointed: 28 April 2017)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020		Member	Member
Lis Astall	Director	N/A	Yes	Reappointed on 12 December 2018 (First appointed: 28 April 2017)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member		
Valéry Huot	Permanent representative of LBO France Gestion, Director	N/A	No	Reappointed on 12 December 2018 (First appointed: 22 July 2005)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member	Member	
Dominique Durant des Aulnois	Director	Since 24 July 2018, Secretary-General	No	Reappointed on 12 December 2018 (First appointed: 28 April 2017)	Following the Shareholders' Meeting called to approve the financial statements for the financial year ended 30 June 2020	Member	Member	Member

The three members of the Audit Committee have financial expertise, particularly in relation to their past experience.

The committees have a strictly consultative role. They operate solely under the collective responsibility of the members of the Board of Directors. They report on their duties to the Board of Directors which independently determines its proposed responses to the opinions given.

4.1.6. COMPENSATION COMMITTEE

The Company has established a Compensation and Appointments Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- Composition

The Compensation Committee is made up of at least two members appointed by the Board of Directors from among the directors, for the duration of their term of office. The Committee elects a chair from among its members.

- Powers

The Compensation and Appointments Committee has the following duties:

In relation to corporate officers:

- To propose candidates to the Board of Directors for a directorship and/or for the positions of Chief Executive Officer and Deputy Chief Executive Officer;
- To make proposals with regards the compensation of the Chief Executive Officer and any Deputy Chief Executive Officers, in terms of the fixed and variable components of such compensation (including in particular the objectives on which the variable component is based), benefits in kind, pension schemes and, where relevant, severance payments, including payments made under any non-compete clauses;
- To determine, and propose to the Board of Directors, performance criteria relating to the allocation of shares (free or otherwise) as well as any financial instruments to be issued to corporate officers or to be subscribed by them;
- To make proposals to the Board of Directors with respect to the holding of financial securities acquired by corporate officers;
- To make a recommendation to the Board of Directors in respect of the total allocation and distribution of directors' fees;
- To address any questions put to them by the Chairman of the board of directors or any director in relation to any of the aforementioned matters.

With regards other employees of the Paragon ID Group:

- To make any recommendations to the Board of Directors relating to any aspects of the compensation policy of the Company or its subsidiaries;
- To prepare any plans for the subscription, purchase or allocation of shares or other financial securities, specifying in particular the beneficiaries and number of securities in question; and
- To address any questions put to them by the Chairman of the board of directors or any director in relation to any of the aforementioned matters.

- Operational procedures

The Compensation and Appointments Committee meets as frequently as it deems necessary and at least once a year, prior to the review by the Board of Directors of (i) the compensation of the Chairman of the board of directors, of the Chief Executive Officer and/or of any Deputy Chief Executive Officers (ii) plans for stock options, allocation of shares (free or otherwise), the issuance of financial securities, or performance-based securities for corporate officers and employees of the PID Group, and (iii) any non-compete clauses or top-up pension plans. The Committee may use any means it deems necessary to successfully carry out its duties. In particular, it may invite to its meetings any individual with expertise in financial matters or employment law. Committee decisions are taken by simple majority of members in attendance. After each meeting of the Committee minutes are prepared and circulated to the Board of Directors.

- Meetings of the Compensation and Appointments Committee during the financial year

The Committee met four times in the financial year and the attendance rate of its members was 100%.

4.1.7. AUDIT COMMITTEE

The Company has established an Audit Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- Composition

The Audit Committee is composed of at least two members appointed by the Board of Directors from among the directors, excluding those in management positions. Members are appointed for the duration of their term of office. At least one member with financial expertise must sit on the Committee. The Committee elects a chair from among its members.

- Powers

The Audit Committee has the following duties:

With regard the financial statements:

- To review and advise on the Company's draft financial statements and annual, half-yearly and quarterly financial reporting and any related reports prior to referral to the Board of Directors;
- To examine the compliance with, relevance of and permanency of the accounting principles and rules used to prepare the Company's financial statements and reporting;
- Where relevant, to monitor changes to the scope of consolidated companies and receive any necessary clarifications;
- Where it deems it necessary, to consult with the Statutory Auditors, Chair, Chief Executive Officer, Financial Division or any other management personnel; and to review the Company's financial press releases prior to publication.

With regards to (internal and external) control:

- To monitor the effectiveness of the Company's internal control systems;
- To investigate any issues relating to the appointment, reappointment or removal of the Company's Statutory Auditors and their fees for performing their statutory duties;
- To oversee the rules governing the use of auditors for work other than auditing the financial statements and, more generally, to ensure compliance with the principles ensuring the independence of Statutory Auditors;
- To pre-approve any assignments granted to the Statutory Auditors aside from the audit;
- To annually review with the Statutory Auditors the fees paid by the Company and the Paragon ID Group to the networks to which the Statutory Auditors belong, their action plans, the conclusions of these and their recommendations, as well as any follow-up; and
- To act as mediator in any disputes between the Statutory Auditors and the Chair and Chief Executive Officer likely to arise as part of this work.

With regard to risks:

- To regularly familiarise itself with the financial position, cash situation, commitments and material risks facing the Company and the Paragon ID Group;
- To review the risk management policy and any procedures in place to assess and manage these risks.

- Operational procedures

The Audit Committee meets as frequently as it deems necessary and at least twice a year, prior to the review of the annual and half-yearly financial statements by the Board of Directors. The Audit Committee may use any means it deems necessary to successfully carry out its duties. In particular it may consult individuals involved in preparing or auditing the financial statements as well as Statutory Auditors, including in the absence of Company Management. Committee decisions are taken by simple majority of members in attendance. Following each meeting of the Audit Committee, minutes are drafted and circulated to the Board of Directors.

- Meetings of the Audit Committee during the financial year

The Committee met four times in the financial year and the attendance rate of its members was 100%.

4.5.3 DISCLOSURE COMMITTEE

The Company has established a Disclosure Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- Composition

The Disclosure Committee is composed of at least two members appointed by the Board of Directors from among its directors. Members are appointed for the duration of their term of office. The Committee elects a chair from among its members.

- Powers

The Disclosure Committee has the following duties:

- To identify information relating to the Company which is privileged in nature under the relevant regulations, and in particular the Market Abuse Regulation (Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014) and the doctrine circulated by the Financial Markets Authority;
- To oversee and, where relevant, review the publication of this information in accordance with the relevant regulations;
- Where relevant, to disclose additional information requested by the regulatory authorities and establish a dialogue and effective cooperation with these authorities;
- To draw up and monitor lists of permanent and occasional insiders;
- To monitor regulations applicable to privileged information and legal obligations governing the management and disclosure of such information;
- To propose the introduction and, where relevant, improvement of corporate governance procedures ensuring that any information that might be considered privileged is effectively sent to the Disclosure Committee and to regularly review the effectiveness of such procedures. To review governance procedures relating to the identification, management and publication of privileged information at least once a year, within three months of the approval of the annual financial statements, and at any other time it is deemed necessary by the Committee or at the request of the Chief Executive Officer or any of the Deputy Chief Executive Officers;
- To advise the Company's Chief Executive Officers and Deputy Chief Executive Officers on any issues relating to the identification, management and publication of privileged information;
- For the purpose of its activities, to call on any employee or corporate officer likely to help it carry out its duties; and

- More generally, to review any issue or document and take any initiative necessary for the proper execution of its powers.
- Operational procedures:

The Disclosure Committee meets as frequently as it deems necessary and at least once a year, prior to the review of the annual financial statements by the Board of Directors. The secretariat of the Disclosure Committee is appointed at the beginning of each of its meetings and may be any of its members or any other person of its choice. An agenda and notice are circulated to members by the Chair of the Committee in advance of any meetings. Committee meetings are valid provided that at least two thirds of its members are in attendance. These meetings may be held by telephone or videoconference. Decisions of the Disclosure Committee are taken by a simple majority of members in attendance.

- Meetings of the Disclosure Committee during the financial year

The Committee met twice in the financial year and the attendance rate of its members was 100%.

5. COMPENSATION AND BENEFITS

5.1.1. CORPORATE OFFICERS COMPENSATION POLICY

5.1.2. COMPENSATION OF NON-EXECUTIVE CORPORATE OFFICERS

Directors may be compensated based on their attendance at the meetings of the Board of Directors and their attendance at specialist committee meetings. This compensation is set by the Shareholders' Meeting and allocated by the Board of Directors in accordance with [recommendation no. 10](#) of the Middenext Code and the provisions of article L. 225-45 of the French Commercial Code.

Under resolution no. 9 of the Shareholders' Meeting of 12 December 2019 the compensation that can be awarded to directors was capped at €50,000.

At its meeting on 12 December 2019, in accordance with the recommendations of the Compensation and Appointments Committee, the Board of Directors decided to divide the allocation between the Company's two independent directors, Lis Astall and Alyn Wnukowsky.

The following amounts were hence paid in the financial year ended 30 June 2020:

- a total sum of €21,157 to Lis Astall;
- a total sum of €10,832 to Alyn Wnukowsky.

5.1.3. HOLDING BOTH AN EMPLOYMENT CONTRACT AND A CORPORATE OFFICE

In accordance with [recommendation no. 15](#) of the Middenext Code, the Board of Directors has considered whether to authorise executives to hold both an employment contract and corporate office.

In the financial year ended 30 June 2020, no corporate officer had an employment contract with the Company.

5.1.4. COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

The general principles governing the compensation policy for executive corporate officers have been approved by the Board of Directors based on a proposal by the Compensation Committee and will be submitted for the approval of the Shareholders' Meeting on 10 December 2020.

The compensation policy is based on the following principles:

- **Comprehensiveness** of the compensation presented: the compensation set for executive corporate officers must be comprehensive and all components are included in the overall review of such compensation.
- The principle of **balance**: each component of compensation must be evidence-based to ensure that these reflect the Company's interests.
- **Consistency**: compensation of executive corporate officers must be consistent with that of other executives and employees of the Company.
- **Benchmarked**: compensation must be assessed, insofar as possible, in comparison with a benchmark job and market and be proportionate to the Company's position, whilst considering its inflationary effect.
- **Clarity** of rules: rules must be simple; performance criteria used to calculate the variable component of compensation or the allocation of any options or free shares must be based on the Company's performance, reflect its objectives, be stringent, explicable and, insofar as possible, sustainable.
- **Calculation**: the calculation of compensation must strike a balance between and take into consideration the interests of the Company, market practices and the performance of executives.
- **Transparency**: annual consultation of shareholders on all compensation and benefits received by executives is conducted transparently in line with relevant regulations.

As a result, the policy governing compensation and benefits in kind awarded to the Company's executive corporate officers complies with [recommendation no. 13](#) of the Middledent Code.

5.1.4.1. Compensation of the Chairman of the board of directors

In the financial year ended 30 June 2020, John Rogers received no compensation in respect of his office as Chairman of the board of directors.

5.1.4.2. Compensation and benefits of General Management

In the financial year ended 30 June 2020, the compensation and benefits of General Management included the following components:

- A fixed component, calculated according to seniority and degree of difficulty and responsibilities, experience in the post, length of service at the Company or its subsidiaries, and practices observed in groups or companies of a comparable size. It is only reviewed at relatively long intervals, upon the appointment or reappointment of the executive in question;
- A variable component based on objectives set annually by the Board of Directors, following proposals by the Compensation and Appointments Committee. This variable component is based on meeting revenues, EBITDA and cash flow objectives;
- Foreign travel expenses, it being specified that the number of days a member can claim was capped at 50 days a year. The fixed daily rate is set at €1,000;
- Unemployment cover with *Garantie Sociale des Chefs et Dirigeants d'Entreprise*, a so-called "GSC" unemployment insurance scheme for business leaders.

5.1.5. SEVERANCE PAYMENT

In the financial year ended 30 June 2020, Clem Garvey received a severance payment, the amount of which complied with [recommendation no. 16](#) of the Middledent Code.

Should the Chief Executive Officer, Clément Garvey, be dismissed from office (except for gross or wilful misconduct), he will be entitled to a gross severance payment of 85% of his fixed gross compensation for the twelve months preceding the dismissal.

This severance payment is subject to various performance conditions set by the Board.

No severance payment is payable to the Chief Executive Officer in the event of resignation.

This severance commitment will be reduced to 70% of gross fixed compensation for the twelve months preceding the dismissal from the day on which the *Garantie Sociale des Chefs et Dirigeants d'Entreprise* insurance confirms cover of 70% of 12-month compensation.

This commitment will lapse on the day on which the *Garantie Sociale des Chefs et Dirigeants d'Entreprise* insurance scheme confirms its cover of 70% of the Chief Executive Officer's compensation over a 24-month period.

5.1.6. NON-COMPETE PAYMENT

In the financial year ended 30 June 2020, no executives were subject to a non-compete clause.

5.1.7. TOP-UP PENSION SCHEMES

From 1 July 2019 to 30 June 2020 Clem Garvey was covered by a top-up pension scheme, identical to the one to which Company employees are entitled. This scheme complies with [recommendation no. 17](#) of the Middennext Code.

5.1.8. STOCK OPTION AND FREE SHARE ALLOCATION OPTION PLANS

No share subscription or purchase plans were issued in the financial year ended 30 June 2020.

At its meeting on 9 July 2019, the Board of Directors resolved to implement a new equity warrant plan for the key managers and corporate officers in the Company and its Group, under the delegation of authority granted to it under resolution no. 23 of the Shareholders' Meeting of 12 December 2018.

Two reports by the Board of Directors detail the usage made of the aforementioned delegation, in accordance with legal provisions.

This delegation of authority enables the Board of Directors to issue and allocate, in one or more instalments, a maximum of ninety thousand (90,000) equity warrants without preferential subscription rights, to employees and/or corporate officers of the Company, the company Grenadier Holdings Plc and the companies under its control within the meaning of article L. 233-3 of the French Commercial Code.

The Board has decided to implement an equity warrant plan, referred to as BSA 2018-1, the purpose of which was two-fold: to give the beneficiaries a stake in the Company in order to incentivise the search for performance and to encourage them to remain with the Group for a three-year period.

Consequently, the Board of Directors has decided that BSA 2018-1 warrants will be exercisable in the following proportions and under the following conditions:

Condition(s)	Proportion of warrants exercisable
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2020	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2021	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of	34%

article L. 233-3 dated 1 January 2022	
Total	100%

A total of 51,250 BSA 2018-1 equity warrants were allocated by the Board of Directors. 23,000 of these equity warrants were allocated to corporate officers.

In accordance with [recommendation no. 18](#) of the Middledent Code, a detailed description of the terms of this plan is presented below:

Description	BSA 2018-1	
Date of the Extraordinary Shareholders' Meeting	12 December 2018	
Date of the Board meeting in which equity warrants were allocated under the delegation of authority granted by the Shareholders' Meeting	9 July 2019	
Holders of equity warrants	John Rogers Clem Garvey Dominique Durant des Aulnois	7,500 equity warrants 12,500 equity warrants 3,000 equity warrants
Number of equity warrants originally issued and allocated	51,250	
Subscription price	€1.75 (per warrant)	
Number of shares subscribed on exercise of the equity warrants	0	
Number of equity warrants cancelled or lapsed	0	
Number of outstanding equity warrants	51,250	
Start date of exercise period	See table above	These equity warrants are exercisable in thirds over three years.
Exercise expiration date	10 years from the exercise start date	
Exercise price	€33.25	Exercise price set by the Board of Directors under the delegation of authority granted by the Shareholders' Meeting. The combined total of the exercise price and subscription price, i.e. €25 corresponds to the par value of the Company's shares. On the days on which these warrants were allocated, the share price was below this par value.
Exercise ratio	1:1	
Total nominal increase in total share capital that may arise from exercising all equity warrants allocated	€1,796,750	

These equity warrants were allocated in addition to the free share allocation plan granted by the Board of Directors in its decisions of 12 December 2018 and 9 July 2019.

At the time of these decisions, the Board of Directors decided to grant a total of 21,950 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code. 20.50% of free shares allocated, i.e. 4,500 shares, were allocated to the Company's corporate officers. Free shares allocated to corporate officers are divided into three different allocation plans according to the vesting period, i.e. the period at the end of which the beneficiary owns the shares. Each plan includes provision for a share holding period of 12 months from the end of the vesting period.

In accordance with the provisions of article L. 225-197-4 of the French Commercial Code, a special report by the Board of Directors setting out the main characteristics of the free shares allocated is appended to this report.

The terms of the free share plans to which corporate officers are entitled are as follows:

	AGA 0720	AGA 0121	AGA 0122
Allocation decision	Board of Directors meeting on 12 December 2018	Board of Directors meeting on 9 July 2019	Board of Directors meeting on 9 July 2019
End of vesting period	31 July 2020	31 January 2021	31 January 2022
End of holding period	31 July 2021	31 January 2022	31 January 2023
Proportion to be retained in registered form	10%	10%	10%
Corporate officer			
John Rogers	250 free shares	750 free shares	500 free shares
Clément Garvey	467 free shares	1,200 free shares	833 free shares
Dominique Durant des Aulnois	33 free shares	300 free shares	167 free shares

The Company has not allocated to other corporate officers stock options, free shares or dilutive securities other than the aforementioned equity warrants and free shares.

5.1.9. COMPENSATION OF CORPORATE OFFICERS IN POST OVER THE PERIOD

Summary table of compensation of each executive corporate officer

	30/06/2020		30/06/2019	
	Amounts due ⁽¹⁾	Amount paid ⁽²⁾	Amounts due ⁽¹⁾	Amount paid ⁽²⁾
John Rogers, Chairman of the Board of Directors				
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	-	-	-	-
Total	-	-	-	-
Clement Garvey, Chief Executive Officer				
Fixed compensation ⁽³⁾	€168,000	€165,900	€84,000	€84,000
Variable compensation ⁽⁴⁾	-	€60,010	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind ⁽⁵⁾	€6,409	€2,274	€6,409	-
Total	€174,409	€228,184	€90,409	€84,000

⁽¹⁾ In respect of the financial year.

⁽²⁾ During the financial year.

⁽³⁾ At its meeting on 12 December 2018, based on proposals by the Compensation and Appointments Committee, the Board of Directors set the compensation of Clem Garvey as Chief Executive Officer. The fixed component comprises a gross annual salary of €168,000 over 12 months.

⁽⁴⁾ At the same meeting a variable component of €67,200 gross was set subject to 100% of the financial objectives being met. If less than 85% of these objectives are met, no variable compensation is paid. If these objectives are outperformed by at least 15%, the variable component is increased by 75%.

⁽⁵⁾ The benefits in kind are the unemployment insurance (Garantie Sociale des Chefs et Dirigeants d'Entreprise) taken out by the Company for the Chief Executive Officer which was applied retroactively from 1 January 2019 as agreed by the Board of Directors at its meeting on 23 January 2019.

Directors' fees and other compensation received by non-executive corporate officers

	30/06/2020		30/06/2019	
	Amounts due ⁽¹⁾	Amount paid ⁽²⁾	Amounts due ⁽¹⁾	Amount paid ⁽²⁾
LBO France Gestion, represented by Valéry Huot				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total	-	-	-	-
Elisabeth "Lis" Astall				
Director's compensation	23,827	21,157	29,794	20,256
Other compensation	-	-	-	-
Total	23,827	21,157	29,794	20,256
Dominique Durant des Aulnois				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total				
Alyna Wnukowsky				
Director's compensation	10,464	10,832	8,722	1,814
Other compensation	-	-	-	-
Total	10,464	10,832	8,722	1,814
Laurent Salmon				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total				

Summary table of indemnities and benefits of executive corporate officers

Executive corporate officers	Employment contract	Top-up pension scheme	Indemnities or benefits due or likely to be due as a result of a termination or change in their functions	Indemnities relating to a non-compete clause
John Rogers, Director since 28 April 2017 Chairman of the Board of Directors since 28 April 2017	No	No	No	No
Clément Garvey, Chief Executive Officer since 12 December 2018	No	No	No	No

5.1.10. PRINCIPLES AND CRITERIA APPLIED TO CALCULATE, DISTRIBUTE AND ALLOCATE THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF TOTAL COMPENSATION AND BENEFITS TO WHICH DIRECTORS AND THE CHIEF EXECUTIVE OFFICER ARE ENTITLED IN RESPECT OF THE 2019-2020 COMING YEAR

Based on a proposal by the Compensation Committee, in accordance with article [L. 225-37-2 of the French Commercial Code](#), at its meeting on 22 October 2020, the Board of Directors agreed the general principles and criteria to be applied for the calculation, distribution and allocation of the fixed, variable and exceptional components of total compensation and the benefits in kind to which the Chief Executive Officer and Deputy Chief Executive Officer are entitled in respect of their office for the 2020-2021 financial year and constituting the compensation policy applicable to them. It will be submitted to the Shareholders' Meeting for approval on 10 December 2020.

These principles and criteria are presented below:

For the directors

Components of compensation	Principles	Calculation criteria
Fixed compensation	0	There are no plans for fixed compensation in the coming year.
Variable compensation	0	There are no plans for variable compensation in the coming year.
Exceptional compensation	0	There are no plans for long-term or exceptional compensation but the Board of Directors reserves the right to award an exceptional bonus in the event of exceptional operational or other circumstances.
Allocation of stock options	0	The Board of Directors plans on allocating additional equity warrants to employees and corporate officers, which may include the Chief Executive Officer. To date, no decision has been made.
Free share allocation	0	
Other securities giving access to capital	0	
Directors' compensation	€50,000 to be distributed among the independent directors	Any compensation paid to directors is reserved for independent directors and is allocated according to their actual attendance at the meetings of the Board of Directors and its committees.
Signing bonus	0	There are no plans to award a signing bonus.
Severance payment	N/A	There are no commitments to

		make severance payments.
Non-compete payment	N/A	There is no non-compete commitment in respect of the Company, with or without compensation.
Benefits in kind	N/A	No benefits in kind.
Top-up pension scheme	N/A	No top-up pension scheme cover.
Executive civil liability insurance	N/A	No insurance cover of this type.

For Clément Garvey, Chief Executive Officer

Components of compensation	Principles	Calculation criteria
Fixed compensation	168,000	The fixed compensation of executive corporate officers is calculated on the basis of seniority and the degree of difficulty of responsibilities, the experience in post, length-of-service within the Company or its subsidiaries, and practices within groups or businesses of a comparable size. It is only reviewed at relatively long intervals, upon the appointment or reappointment of the executive in question.
Variable compensation	67,200* * amount to be received if 100% of the objectives set by the Board of Directors are met. This amount is nil if fewer than 85% of objectives have been met and is increased by 75% if the objectives are exceeded by at least 15%.	A variable component is based on objectives set by the Board of Directors, following proposals by the Compensation and Appointments Committee. This variable component is based on meeting revenues, EBITDA and cash flow objectives.
Exceptional compensation	0	There are no plans for long-term or exceptional compensation but the Board of Directors reserves the right to award an exceptional bonus in the event of exceptional operational or other circumstances.
Allocation of stock options	0	The Board of Directors plans on allocating additional equity warrants to employees and corporate officers, which may include the Chief Executive Officer. To date, no decision has been made.
Free share allocation	0	
Other securities giving access to capital	0	
Directors' fees	0	There are no plans to allocate directors' fees.
Signing bonus	0	There are no plans to award a signing bonus.

Severance payment	N/A	There are no commitments to make severance payments.
Non-compete payment	N/A	There is no non-compete commitment in respect of the Company, with or without compensation.
Benefits in kind	N/A	No benefits in kind.
Top-up pension scheme	N/A	No top-up pension scheme cover.
Executive civil liability insurance	4,013	The Board of Directors approved insurance cover with <i>Garantie Sociale des Chefs et Dirigeants d'Entreprise</i> to be taken out by the Company for the Chief Executive Officer, which took effect retroactively from 1 January 2019.

We propose that you approve the principles and criteria as presented in this report as well as the related resolutions of the Shareholders' Meeting.

6. ATTENDANCE OF SHAREHOLDERS AT THE SHAREHOLDERS' MEETING

In accordance with [recommendation no. 12](#) of the Middenext Code, the Board reports on the Company's relations with its shareholders.

The most recent annual Shareholders' Meeting was held on 12 December 2019 at LCL, 19 boulevard des Italiens in Paris. Shareholders present or represented accounted for 85.49% of the share capital and 91.56% of exercisable voting rights. Shareholders had the option of voting by post, appointing a proxy or attending the meeting in person. Twenty of the twenty-one resolutions were passed with 95.58% of votes and the resolution that was not passed was rejected by 99% of votes, in accordance with the Board of Directors' recommendations.

The procedures for shareholder attendance at the Shareholders' Meeting are set out in article 14 of the Company's Articles of Association in the paragraph "Shareholders' Meetings", reproduced below.

"Ordinary, Extraordinary and Special Shareholders' Meetings are convened and held under the conditions set out in law and these Articles of Association. The Meeting is held at Company headquarters or at any other premises stated in the notice. Meetings are chaired by the Chairman of the board of directors or, in his absence, by a Vice-Chairman of the board of directors, or in their absence, by a director specially appointed by the Board for the purpose. Failing this, the Meeting elects its own chair.

Under the conditions set out in law the Board of Directors may decide at the time the Meeting is convened, to permit shareholders to:

- Attend the Meeting by videoconference or by any other means of telecommunication or teletransmission, including by internet, which enables them to be identified;
- Send their proxy vote or postal ballot for the Meeting by teletransmission."

7. DELEGATIONS OF AUTHORITY

In accordance with the provisions of article L. 225-37-4 of the French Commercial Code, the Board of Directors hereby notifies you (i) of current delegations of authority granted to the Board of Directors by the Shareholders' Meeting and (ii) of the usage made of these delegations in relation to the capital increases during the financial year under the provisions of articles [L. 225-129-1](#) and [L. 225-129-2](#) of the French Commercial Code.

Consequently, you will find below a summary table of the current delegations of authority or powers and their usage during the financial year:

Financial authorisations adopted at previous meetings that remain valid				
Nature of the authorisation	Shareholders' Meeting	Duration	Maximum amount authorised	Amount used as of the date of this Document
	(Resolution No.)	(Expiration date)		
1. <u>Issuance of shares or convertible securities or debt securities</u>				
Without preferential subscription rights for the named individual ⁽¹⁾	12/12/2019 (14 th)	18 months (12/06/2021)	Capital increase: €1 million Debt issuance: €5 million	0
Without preferential subscription rights for a category of individuals ⁽²⁾	12/12/2019 (15 th)	18 months (12/06/2021)	Capital increase: €12 million Debt issuance: €36 million	0
Issuance of equity warrants without preferential subscription rights for a category of individuals ⁽³⁾	12/12/2019 (16 th)	18 months (12/06/2021)	Capital increase: €3.15 million	0
Free share allocation	12/12/2019 (17 th)	38 months (12/02/2023)	90,000 shares	0
With preferential subscription rights	12/12/2018 (25 th)	26 months (12/02/2021)	Capital increase: €12 million Debt issuance: €36 million (subject to the cap referred to in the 32 nd resolution of 12/12/2018)	0
L.411-2 (II) qualified investors without preferential subscription rights ⁽⁴⁾	12/12/2018 (26 th)	26 months (12/02/2021)	Capital increase: €12 million Debt issuance: €36 million (subject to the cap referred to in the 32 nd resolution of 13/12/2017)	€500,010 ⁽⁵⁾
Price-setting (for resolutions removing the preferential subscription rights) ⁽⁶⁾	12/12/2018 (27 th)	26 months (12/02/2021)	N/A	N/A
Exchange offer made by the Company	12/12/2018 (28 th)	26 months (12/02/2021)	Capital increase: €12 million Debt issuance: €36 million (subject to the cap referred to in the 34 th resolution of 13/12/2017)	0
Contribution in kind	12/12/2019 (18 th)	26 months (12/02/2022)	10% of share capital	0
2. <u>Authorisation to repurchase shares</u>	12/12/2019 (12 th)	18 months (12/06/2021)	10% of share capital	0
3. <u>Cancellation of shares</u>	12/12/2018 (20 th)	18 months (12/06/2021)	10% of share capital	0
* Overall cap agreed at the Shareholders' Meeting on issuances under the delegated authority of the 26 th , 27 th , 29 th resolution of the Shareholders' Meeting on 13 December 2017: capital increase: €18 million/Debt issuance: €54 million (34 th resolution)				
⁽¹⁾ In favour of Resuccess Investments Limited, a company incorporated under the laws of the British Virgin Isles under number				

589135, registered at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Isles. The issue price will be set by the Board of Directors and will be no less than the share's par value, calculated on the basis of the weighted average price of the last three trading sessions prior to the issue price being set, with a maximum discount of 5% permitted, taking into account their vesting date where relevant; it being stipulated that the issue price of any securities giving access to capital received immediately by the Company, increased by the price likely to be received by the Company when such securities are exercised or converted, for each share issued as a result of the issuance of these securities, must be at least equal to the aforementioned minimum amount.

⁽²⁾ In favour of any legal or natural person who regularly invests in innovative companies in the transport and track and trace sectors. The issue price will be set by the Board of Directors and must be lower than the par value and at least equal to one of the following amounts:

(i) The lowest daily volume-weighted average share price of the Company on the Euronext Paris market over a period of eight trading days prior to the issue price being set, with a maximum discount of 20% permitted;

(ii) The weighted average share price of the Company on the Euronext market over a 30-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted;

(iii) The weighted average share price of the Company on the Euronext market over a 60-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted.

⁽³⁾ For a category of individuals made up of employees and/or corporate officers of the Company, Grenadier Holdings Ltd and any companies it controls within the meaning of article L. 233-3 of the French Commercial Code. The equity warrant issue price will be set by the Board of Directors on the day of allocation and will be at least equal to 5% of the exercise price of the underlying share, issue premium included. The exercise price will be set by the Board of Directors on the day on which the allocation decision is made and must be at least 90% of the volume-weighted average share price of the Company over the last 20 trading sessions prior to the date on which the allocation decision is made by the Board of Directors.

⁽⁴⁾ The price will be set by the Board subject to the following conditions:

- The issue price of ordinary shares will be at least equal to the minimum value set by legal and regulatory provisions applicable at the time of use of this delegation. This minimum value is currently the weighted average share price of the last three trading sessions prior to the subscription price being set, with a discount of 5% permitted, after any adjustment of this amount to take into account a different vesting date;
- The issue price of securities giving access to the Company's share capital will be such that the sum received immediately by the Company, plus any amount likely to be received at a later date by the Company, will be, for each ordinary share issued as a result of the issuance of these securities, at least equal to the amount in the previous paragraph after any adjustment of this amount to take into account a different vesting date.

⁽⁵⁾ At its meeting on 6 February 2020, the Board of Directors agreed in principle to issue 14,286 shares with a par value of €35, each issued at a price of €35, without preferential subscription rights for qualified investors, and resolved to delegate authority to the Chief Executive Officer to implement its decision. The Chief Executive Officer used this delegation of authority and decided to issue the aforementioned shares on 6 February 2020. At its subsequent meeting on 26 March 2020, the Board of Directors noted the final terms and conditions of the transaction and included them in its report on how the delegation of authority was used dated on the same day and prepared in accordance with the provisions of article L. 225-197-4 of the French Commercial Code.

⁽⁶⁾ The price will be set by the Board subject to the following conditions:

- The issue price of the shares will be at least equal to one of the following amounts: (i) the lowest daily volume-weighted average share price of the Company on the Euronext Paris market over a period of eight trading days prior to the issue price being set with a maximum discount of 20% permitted, (ii) the weighted average share price of the Company on the Euronext market over a 30-day period prior to the date on which the issue price is set with a maximum discount of 20% permitted, (iii) the weighted average share price of the Company on the Euronext market over a 60-day period prior to the date on which the issue price is set with a maximum discount of 20% permitted;
- The issue price of securities giving access to the Company's share capital will be such that the sum received immediately by the Company, plus any amount likely to be received at a later date by the Company, will be, for each Company share issued as a result of the issuance of these securities, at least equal to the aforementioned amount;
- The total nominal amount of capital increases likely to be carried out pursuant to this delegation of authority may not exceed 10% of share capital per 12-month period.

In the financial year ended 30 June 2020, the delegations of authority granted under articles L. 225-129-1 and L. 225-129-2 were used three times, having the effect, immediately or in the future, of increasing the share capital:

- On 9 and 30 July 2019, the Board of Directors decided to issue equity warrants to the Group's executives and managers, of which 45,000 remain valid, and to allocate free shares of which 4,300 remain valid. The characteristics of the warrants issued and the free shares allocated are described in the special reports prepared by the Board of Directors following these decisions, in this report and in the special report on free share allocations.

8. FACTORS LIKELY TO IMPACT ANY PUBLIC OFFERING

In reference to article [L. 225-100-3 of the French Commercial Code](#), you will find below a list of the provisions relating to the share capital to the extent they are likely to impact any public offering.

- *Restrictions on exercising voting rights or transferring shares:*

In terms of exercising voting rights, under article 7 of the Articles of Association, any legal or natural person, through any means, who comes to hold or ceases to hold a fraction equal to 2.5% of the share capital or voting rights or a multiple of this fraction, must notify the Company of the total number of shares or convertible securities as well as the number of voting rights they hold alone, indirectly or jointly. In the event of a breach of this disclosure obligation and at the request of multiple shareholders with at least 5% of voting rights, the voting rights exceeding the fraction that should have been declared may not be exercised or transferred by the shareholder in breach, at any Shareholders' Meeting to be held within a two-year period following the date on which disclosure is made. This threshold disclosure obligation is in addition to the legal threshold disclosure obligations under L. 233-7 and the legal thresholds given in that article.

The Articles of Association contain no restrictions on the transfer of shares.

- *Shareholders' agreements:*

N/A.

- *Powers of the Board of Directors in relation to the issuance or repurchase of shares:*

The Ordinary Shareholders' Meeting on 12 December 2019 authorised the Board of Directors to purchase or arrange for the purchase of shares in the Company for various purposes: the cancellation of shares, for market making or the liquidity of the Company's shares under the liquidity agreement signed by the Company, the allocation of shares to employees through the implementation of any company savings plan or any employee profit-sharing plan, the remittance of shares for exchange, payment etc., as part of any mergers, acquisitions or demergers, the implementation of any stock option plans, or any free allocation of Company shares and the remittance of shares when exercising any rights attached to any securities giving access to Company shares immediately or in the future.

The Shareholders' Meeting of 12 December 2019 also delegated authority to the Board of Directors for capital increases and to issue securities giving access to the Company's share capital. A summary of these delegations of authority and their purpose has been provided in the preceding paragraph.

At the same meeting the Board of Directors was authorised to reduce share capital, in one or more instalments, by cancelling any or all shares held by the Company or which it may acquire under share purchase programmes authorised by the Shareholders' Meeting, capped at 10% of share capital.

9. INFORMATION RELATING TO THE COMPANY'S SHARE CAPITAL

As of the date of this report, the Company's share capital totals €68,786,795. It comprises 1,965,337 fully paid-up ordinary shares, with a par value of thirty-five (€35) euros.

9.1.1. CHANGE OVER THE FINANCIAL YEAR ENDED 30 JUNE 2020

Opening position, as of 1 July 2019

	Number of shares	%	% of theoretical
		of share capital	voting rights ^(*)
Registered shareholders	1,424,961	85.57%	92.22%
- Grenadier Holdings Limited Co	1,305,889	78.42%	84.53%
- LBO France Gestion	66,298	3.98%	4.29%
- Other investment funds	49,403	2.99%	3.21%
- Other shareholders	3,608	0.18%	0.19%
(of which employees)	0	0.00%	0.00%
Free float	240,376	14.43%	7.78%
Registered shareholders	1,424,961	85.57%	92.22%

Closing position, at 30 June 2020

	Number of shares	%	% of theoretical
		of share capital	voting rights ^(*)
Registered shareholders	1,710,344	87.03%	92.48%
- Grenadier Holdings Limited Co	1,591,603	80.98%	85.50%
- LBO France Gestion	66,298	3.73%	3.91%
- Other investment funds	49,403	2.51%	2.91%
- Other shareholders	3,040	0.15%	0.18%
(of which employees)	12	0.00%	0.00%
Free float	254,993	12.97%	7.52%
Total	1,965,337	100.00%	100.00%

() As of 30 June 2020, the number of theoretical voting rights totalled 3,389,896, taking into account shares with double voting rights which have been registered in the name of a single shareholder for at least two years. As of the same date, the total number of exercisable voting rights was 3,389,002. The number of exercisable voting rights corresponds to the number of theoretical voting rights after the deduction of the number of suspended voting rights, i.e. 894 shares held under the liquidity agreement signed with the brokerage firm Portzamparc.*

9.1.2. SHARES HELD BY THE COMPANY – SHARE REPURCHASE PROGRAMME

As of 30 June 2020, through its liquidity agreement with the brokerage firm Portzamparc, the Company indirectly held 894 treasury shares. Voting rights attached to these shares have been suspended.

However, in its 12th resolution, the Ordinary Shareholders' Meeting held on 12 December 2019 authorised the Company's Board of Directors, with the right to sub-delegate, to implement a repurchase programme of Company shares for an eighteen-month (18) period from the date of the aforementioned meeting in accordance with the provisions of article L. 225-209 of the French Commercial Code.

As of the date of this report, the Company has not repurchased any shares outside of its liquidity agreement with the brokerage firm Portzamparc, a summary of which for the financial year ending 30 June 2020 is as follows:

Liquidity agreement start date	4 July 2014
Funds allocated to the liquidity agreement	An initial sum of €300,000 followed by an additional €100,000 in June 2018 and withdrawal of €80,000 in June 2019
Brokerage fees	0
Total annual fee for the financial year ended 30/06/2020	€12,057.80
Number of shares registered in the name of the Company on the reporting date	894
Number of securities purchased in the financial year ended 30/06/2020	13,385
Number of securities sold in the financial year ended 30/06/2020	14,818
Average purchase price	32.09
Average sale price	31.91

10. AGREEMENTS AND COMMITMENTS UNDER L. 225-38 AND L. 225-42-1 OF THE FRENCH COMMERCIAL CODE

These agreements and commitments are presented in the report on regulated agreements and commitments prepared by the Statutory Auditors. The Shareholders' Meeting is asked to approve this report and the agreements referred to therein.

We will include more detail in the balance sheet, income statement and notes to the Company financial statements, which we hereby submit for your approval, along with the resolutions proposed to the Shareholders' Meeting and the Board of Directors' recommendations with respect to these resolutions. These documents have been prepared in accordance with the provisions in force using the same accounting methods as the previous year.

We hereby submit for your approval the consolidated financial statements, which have been prepared in accordance with IFRS standards.

We hope that you will agree with these proposals and approve them by voting for the proposed resolutions in line with the Board of Director's recommendations.

Paris, 22 October 2020

The Board of Directors

Appendix A
Table of results of the last five financial years

Reporting date Length of financial year (months)	30/06/2020 12	30/06/2019 12	30/06/2018 12	30/06/2017 18	31/12/2015 12
SHARE CAPITAL AT THE END OF THE FINANCIAL YEAR					
Share capital	68,786,805	58,286,795	58,286,795	58,286,819	8,050,181
Number of shares					
- ordinary	1,965,337	1,665,337	1,665,337	58,286,819	8,050,181
- preferred dividend					
Maximum number of shares to be created					
- through the conversion of bonds					
- through subscription rights					
OPERATIONS AND RESULTS					
Pre-tax revenues	21,250,165	30,381,809	27,677,498	47,004,574	33,947,098
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	(3,368,332)	(6,030,727)	(4,938,781)	(8,245,374)	(9,014,531)
Income tax	(258,401)	(556,780)	(686,507)	(279,019)	(307,970)
Employee profit-sharing					
Depreciation, amortisation and provisions	630,038	656	889,601	4,029,163	74,440
Net income	(3,739,969)	(5,474,603)	(5,141,876)	(11,995,518)	(8,781,000)
Distributed earnings					
EARNINGS PER SHARE					
Earnings after tax, employee profit-sharing, before depreciation, amortisation and provisions	(3)	(3)	(3)	(0)	(1)
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	(3)	(3)	(3)	(0)	(1)
Dividend allocated					
PERSONNEL					
Average workforce	55	58	68	75	101
Payroll	3,973,935	3,330,473	3,142,908	5,869,880	4,744,138
Employer contributions (social security, social welfare, etc.)	1,836,302	1,288,632	1,269,743	2,424,922	2,013,326
	30/06/2020	30/06/2019	30/06/2018	30/06/2017	31/12/2015

Appendix B
Non-financial performance statement

Extra-Financial Reporting Statement

2019 - 2020

Secure Technology for a Connected World



eID

Transport &
Smart Cities

Traceability &
Brand Protection

1
Payment

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PARAGON ID STRATEGIC VISION

« To provide secure technology for a connected world »

Strategy statement

Paragon ID SA is a technology company which engineers industrial processes for the manufacture of RFID antenna, cards and labels, and develops software for their operation and deployment.

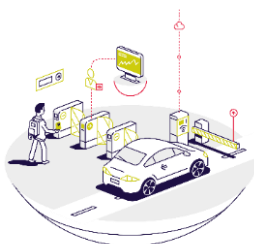
Paragon ID is a renowned specialist in the development of RFID technology; the Company's strengths derive from its combination of industrial and technological expertise.

Paragon ID supplies, through its own distribution channels and through partners, RFID solutions and component elements thereof to clients across the world - to end-user customers, to integrators and to operators, typically in a B2B2C configuration.

Over the next three years, the Company aims to grow its sales and EBITDA through expansion in four specific markets:

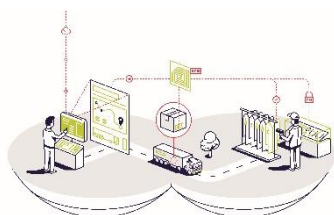
1

Transport & Smart Cities



2

Track & Trace and Brand Protection



3

e-ID & secure identification



4

Banking & payment



Our key numbers

2019-2020



€108 m+

Sales



€8,4 m+

EBITDA



700

colleagues



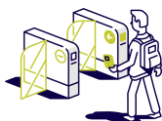
7+

sites



150 Cities

Supplied with access control solutions



4 billion+

Journeys enabled

Our values

Respect

Responsibility

Teamwork

Innovation

Security &
Environment

Our strengths

Our clients

Our international
footprint

A track-record of
successful
acquisitions

Our technological
expertise

Our Industrial
know-how



Our four markets

Transport & Smart Cities



From the first magnetic tickets, to contactless cards and mobile ticketing, we have been part of all technological advances in access control.

We work today to build tomorrow's Smart Cities.

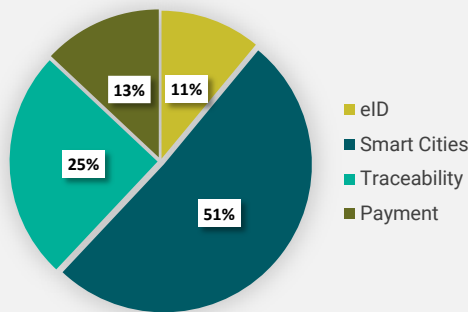
Track & Trace and Brand Protection



Process optimisation, traceability and brand protection have become a constant concern for stakeholders in many sectors.

Our expertise in RFID brings tailor-made solutions to their challenges.

Sales 2019-2020



Operating from three certified and highly secure production sites, we offer to the eID sector, eCovers, Inlays and eDatapages for passport and card applications of all types.



e.ID Identification documents

A pioneer in the development of RFID applications dedicated to the banking sector and its suppliers, our innovative payment solutions bring security and an increased user experience. We have acquired Thames Technology in November 2019 to strengthen our Group in this market segment



Payment

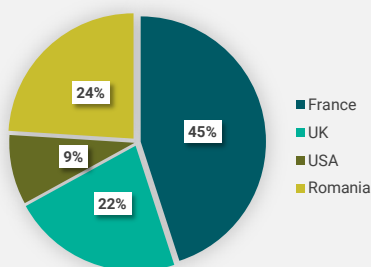
Our resources



Human Capital

An international team with highly qualified staff

Breakdown of permanent staff



Highly qualified employees who have accumulated over the years recognized industrial, technological and R & D expertise in their markets.



Intellectual Capital

Technological R&D

- Antenna design
- Development of innovative RFID products
- Development of new manufacturing processes

IT and electronic R&D

- Operating systems
- Blockchain, algorithms, secure encryption
- Mobile app & software
- Database management



Industrial Capital

A unique industrial set-up

- 5 secure production sites (incl. Romania)
- Overall control of the production chain
- 400 million RFID products manufactured each year



Financial Capital

Financial performance 30th June 2020

- €108 M sales – stable despite the sanitary crisis which has hit the world in March 2020
- EBITDA (1) stable with a rate (EBITDA (1) / turnover) of 7,3%
- Nearly €4,4 million worth of investments in the financial year ended June 30th, 2020.

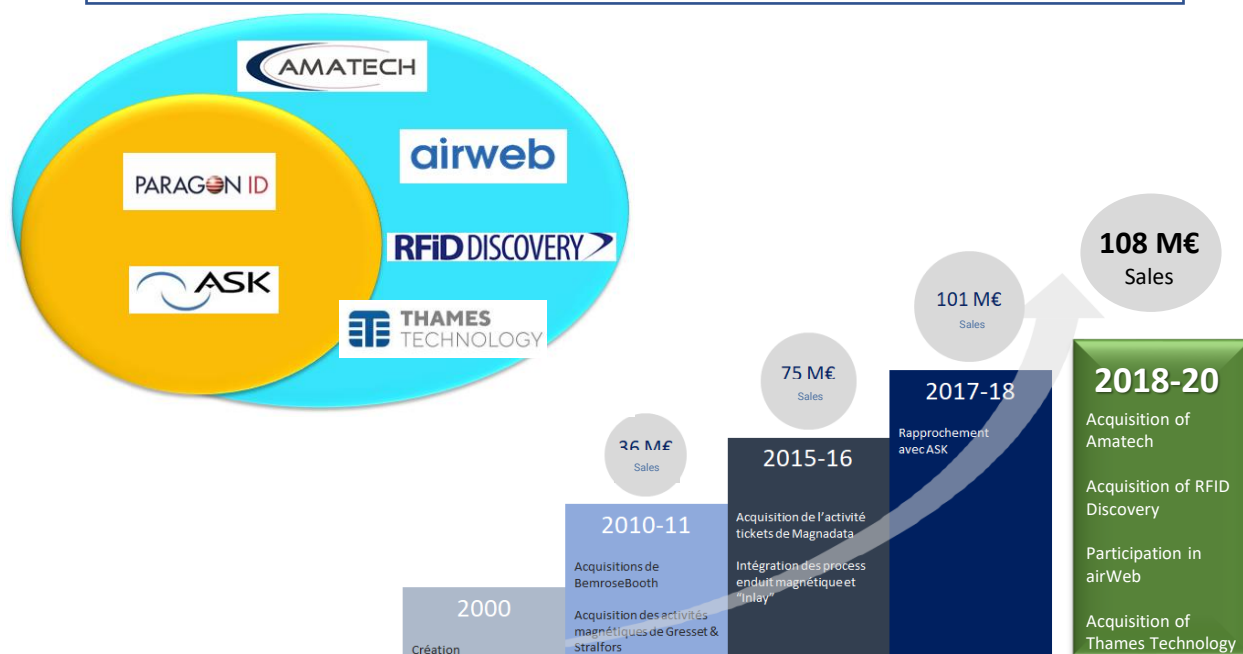
(1) Operating income before depreciation, amortization and non-recurring items.

International development & external growth strategy

International footprint



A dynamic external growth strategy



A Corporate Social Responsibility policy (CSR) in line with the strategic vision of Paragon ID.

As part of its strategy, PARAGON ID integrates environmental, social, ethical and economic considerations into its activities and interactions with its stakeholders.

PARAGON ID's responsibility for the impact of its decisions and activities on society and the environment is reflected in transparent and ethical actions which:

- Contribute to sustainable development
- Take into account the expectations of the stakeholders
- Respect the laws in force and comply with international standards
- Are integrated throughout the organisation and implemented throughout its relationships with its stakeholders

Paragon ID also responded to the Ecovadis questionnaire in November 2020 in France and received a gold medal for its CSR performance on the following topics:

- Social and Human rights
- Ethical
- Sustainable purchasing
- Environment



Our values

The Management commits to respect the following company values and ensure they are followed by all personnel:

Respect

Let's share our ideas and knowledge for the collective interest and with due respect for our differences.

Responsibility

Let's respect our commitments and report on our results.

Teamwork

Let's work together and communicate our goals, our satisfaction and dissatisfaction, our difficulties and successes.

Innovation

Let's adopt an open-mind in order to promote freedom of speech and creativity.

Security & Environment

Let's take care of our own safety, as well as our colleagues' and partners' safety.

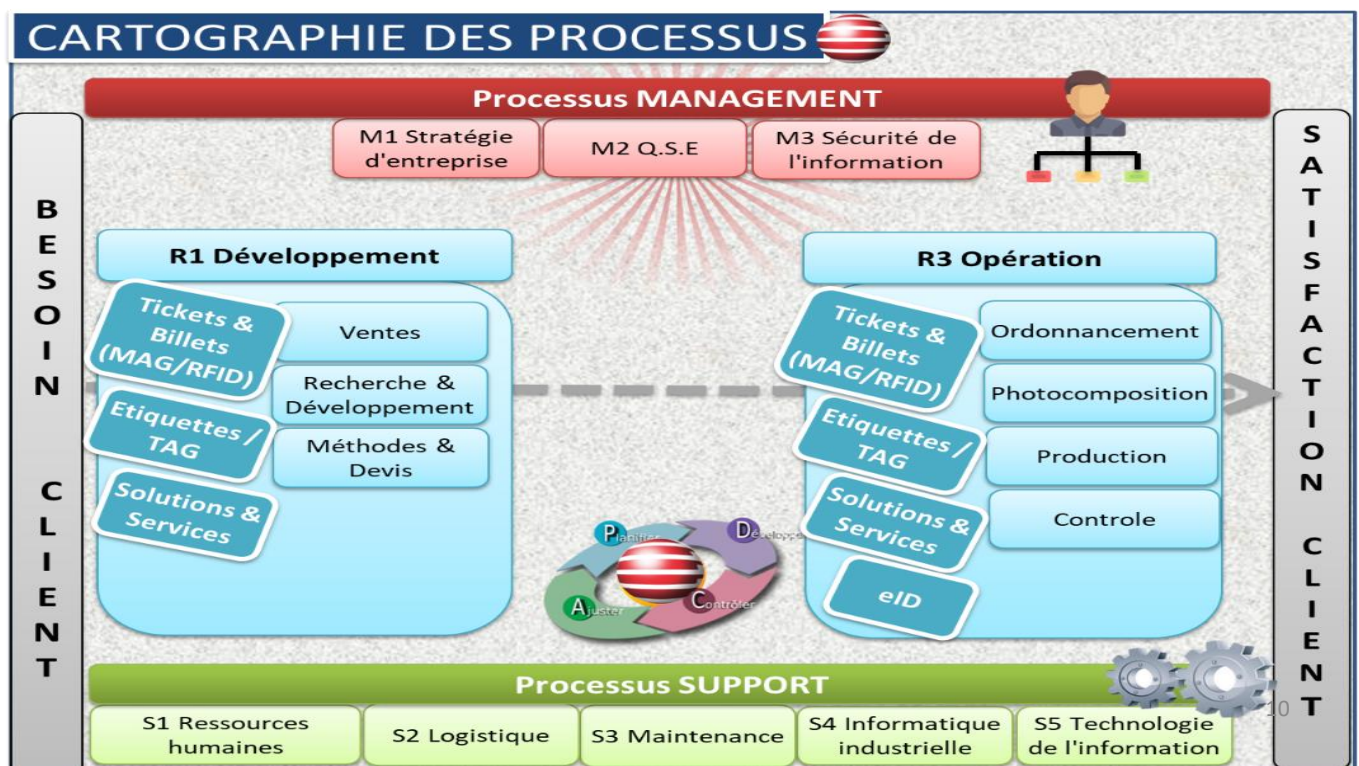
Let's respect the environment.

Our commitment:

These values, combined with our risk analysis, our Quality, Security and Environment (QSE) management system and the continuous improvement approach, with amongst others the ISO 9001, ISO 14001, ISO 27001 and ECOVADIS standards (depending on the country) form the basis of our commitment to our customers, our employees, our suppliers and our shareholders to:

- Develop our capabilities to innovate
- Develop the operational and management skills of our teams
- Put the appropriate systems in place to ensure the safety of our people and of our assets
- Reduce our impact on the environment
- Respect national and international laws and regulations
- Work to the highest levels of ethics

The QSE process of our French organisation is integrated in our global process mapping thus showing its importance in our governance:



Corporate Social Responsibility (CSR) and Governance

The ultimate responsibility for CSR rests with the Board of directors of Paragon ID SA.

Our corporate social responsibility policy (CSR) is implemented by the Management teams of the operating companies. They can differ according to the sites and the laws and regulations in force locally. We have established an Ethics and Social policy along with our Environmental and Information Security Management policies.

They have been made available to all our subsidiaries.

A Corporate Social Responsibility Manager has been appointed.



Board of directors PID SA

With due respect for local laws and regulations, local management teams have established or are establishing the following committees:

- A **Management Review** committee that meets annually and evaluates the QSE approach,
- A **Safety committee** consisting of the company director, the QSE manager, the IT and infrastructure managers, that meets once a year to analyze and decide on actions to be implemented to update the system,
- An **Ethics committee** consisting of the company director, the HR manager (ethical referee), the QSE manager and the production and IT managers that assess new risks and implement the necessary actions.

These committees can be convened in case of emergency requiring important decisions.

Those employees having responsibility for, or relationships with, customers, suppliers or other organizations, must sign the Health & Safety and Ethics Policy and must commit to respecting and enforcing it.

To date, this CSR policy is deployed in France, England and Romania. It will be deployed in the USA. The running of the committees is audited once a year by the Secretary General of the Paragon ID Group, as well as the audits that are planned as part of the ISO certifications.

We promote the following ethical, social, environmental and information security policies:

An **ethical policy** that defines the prohibited practices and the rules that each employee must apply in their relations with customers, suppliers and competitors.

This ethical policy is a Group policy that applies to all employees including members of the Board of Directors. It was approved by the Board of Directors on March 21, 2019 and includes a procedure, a code of conduct and a statement:

- The processing of sensitive information procedure
- Anti-corruption code of conduct
- Modern slavery statement





A **human resources policy** that aims to promote social dialogue, fight against all forms of discrimination, improve working and safety conditions, develop skills and respect fundamental human rights.

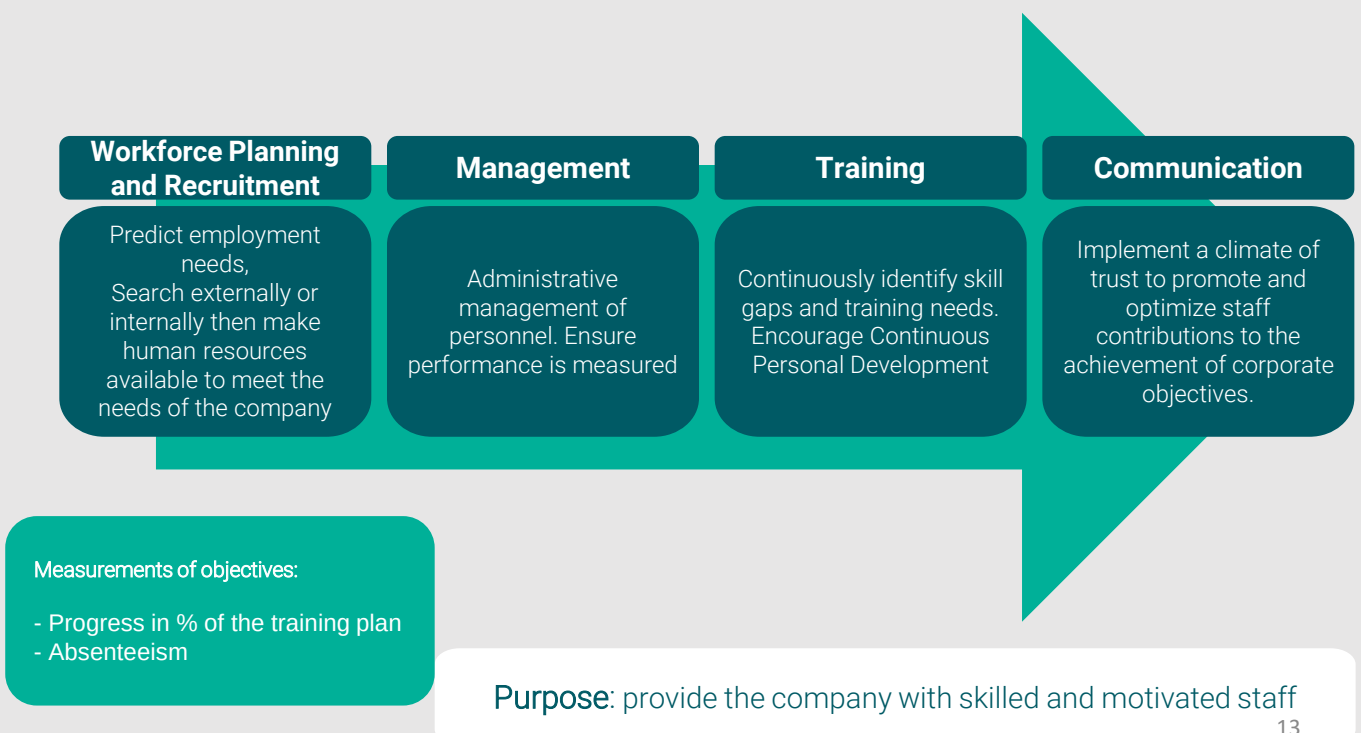
This human resources policy is based on a Group process and procedure that has been applied to all subsidiaries (with the exception of Amatech) and was reviewed by the Board of Directors on July 30, 2019.

An audit is conducted once a year by the Group's Corporate Secretary.

This policy is complemented by countries' own policies based on their respective laws and regulations.

The Group's H.R. process is as follows:

Human resources process

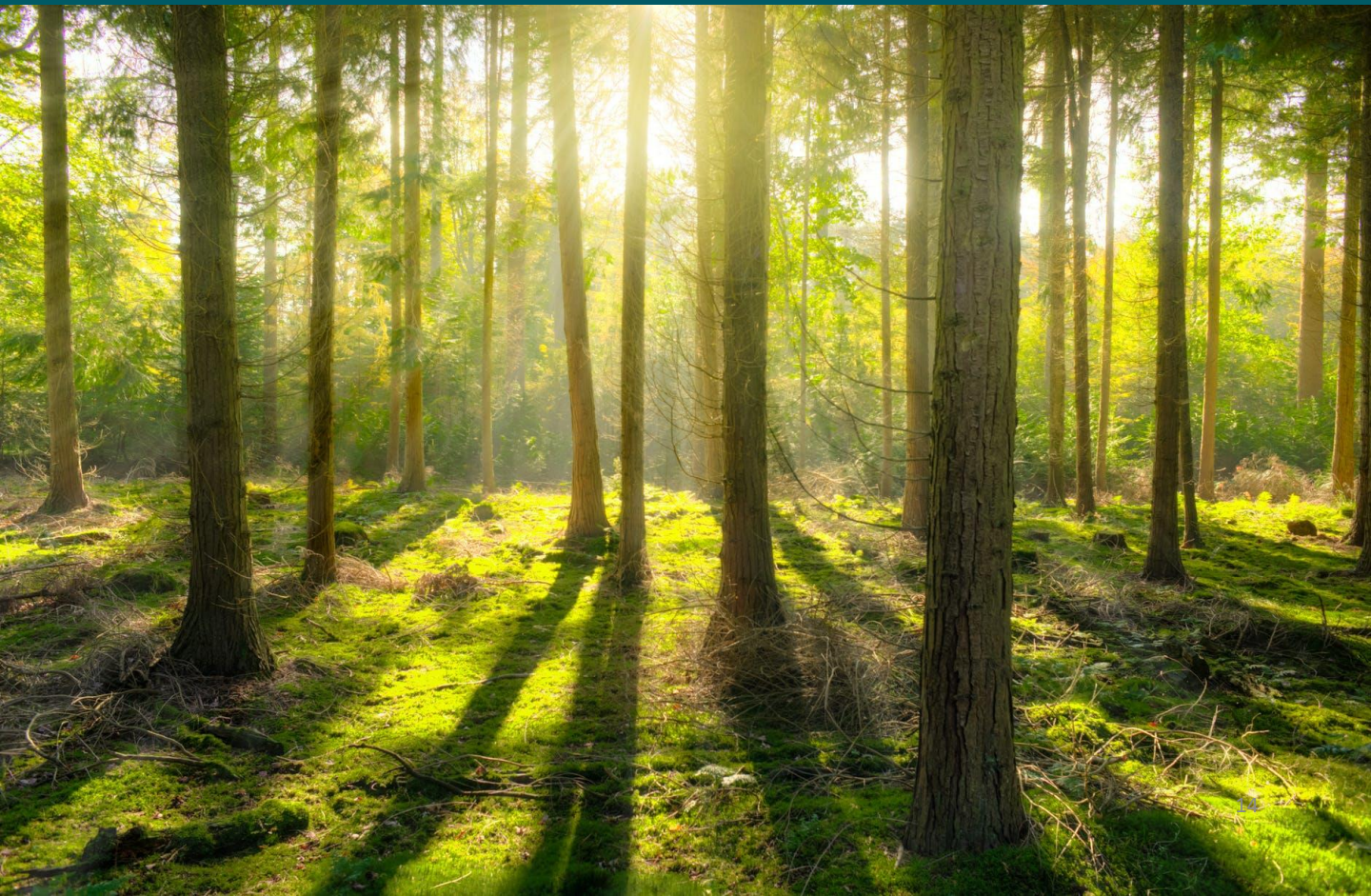


An Environmental policy

based on the continuous improvement of performance, the compliance with regulations, the prevention of pollution risks and the promotion of the use of products that respect biodiversity.

Sensitive to the potential impact of our products and processes on the environment, Paragon ID has focused on developing environmentally friendly practices over many years. **This approach is based on the continuous improvement of our production facilities, the complete implementation of applicable regulations, initiatives to prevent pollution and the development of ecological products.**

Paragon ID ensures all our sites base their environmental management systems on ISO 14001.



Reduction of
environmental impact

Paragon ID is committed to controlling and reducing its energy consumption across all production sites, using preventive actions established locally by the teams dedicated to environmental conservation.

Our production processes are central to this activity. They are the subject of continuous research to:

Our policy to reduce our environmental impacts is based on three key actions:



1. Pollution Prevention

Awareness campaigns and training are carried out for all employees to encourage everyone to take an active part in the protection of our environment.

We analyse the impact of our company within each sector to reduce as far as possible any risk of pollution to the water, air or soil systems.



2. Regulatory requirements

We accept and apply all relevant regulations concerning our business activities. These are shared and actively promoted across every business group.



3. End of Life & Recycling of Products

Our R&D teams prioritise the end of life and recycling process of our products as part of the design method. Wherever possible, we strive to offer paper made from pulp derived from sustainable forests which meet the PEFC and FSC criteria.



In order to protect our planet, we must work together to reduce our impact on the environment.

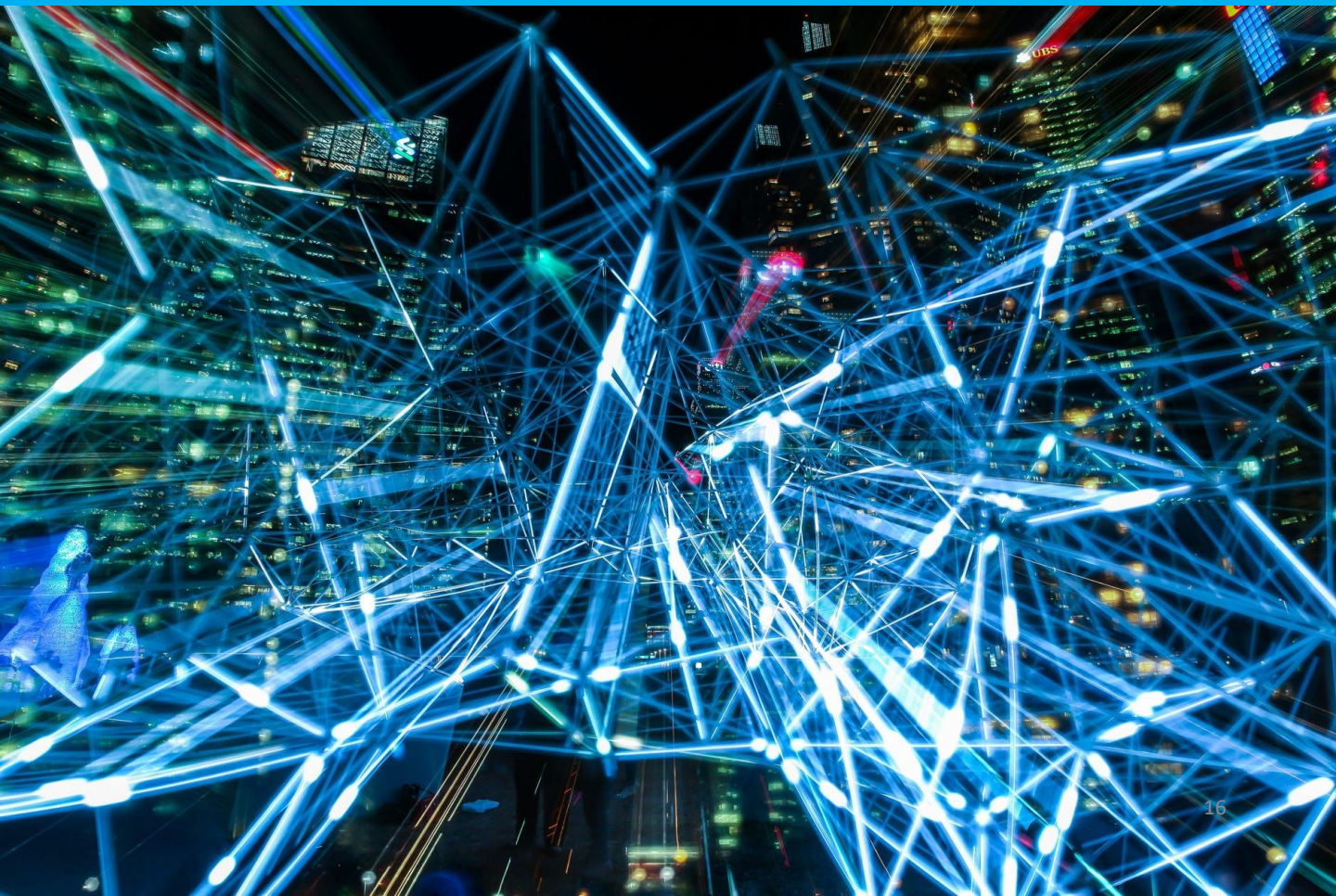
An Information security policy

which aims to control and protect the information of our company, our customers and suppliers.

We confirm our commitment to protecting the data of all our stakeholders.

Paragon ID designs and manufactures products and services that are increasingly impacted by data security issues. To ensure information is held confidentially, we have implemented an information security management system.

ISO 27001 has been adopted as a guideline for all PARAGON ID sites as has compliance with the General Data Protection Regulations (GDPR).



Our policy is based on the following commitments:

-  Strategic and operational risks to information security are understood and addressed to ensure each risk is eliminated or reduced to an acceptable level for the company. These risks are monitored periodically and systematically scrutinised during the introduction of any major system updates or changes.
-  The confidentiality, integrity and availability of information is assured across all Paragon ID sites. Access management is monitored to ensure that access, disclosure and use of information is strictly controlled.
-  We take all necessary actions to ensure the company is in compliance with the applicable legal and regulatory requirements, prioritising investment in all aspects of physical security.
-  We make sure that employees and contractors understand their responsibilities and are qualified for the tasks to which they are assigned. Each staff member is made aware of their individual responsibility for information security as part of the duties assigned to their role.



The management team provides information security guidance and support in accordance with business requirements and applicable laws and regulations. The team is committed to the continuous improvement of our information security management system, ensuring that all Paragon ID companies comply with the General Regulations for Data Protection (RGPD).

Paragon ID's risks and challenges analysis

Identification of risks to better control them

For a number of years, the company has mapped the risks it may face. The method used consisted of making an inventory of the known risks by each member of the Management team, to measure their criticality and to identify solutions to limit their impact.

An update of the risks, their criticality and of the identified mitigating actions, is carried out every year and validated by the General Management team and the Board of Directors. Six risks related to the "EFPS" (Extra-Financial Performance Statement) have been identified.

- 3 have a critical rate of more than 3 out of 10 and are considered as key risks (compliance with regulations, occupational accidents and staff turnover)
- 3 others, non-critical but for which we want to communicate.

These 6 risks are listed below and are classified in 3 categories:

Environment

- To guarantee the respect of the laws in force by reducing the impact on the environment
- To ensure responsible management of waste, especially air pollution

Human resources

- Accidents at work, in particular their frequency and severity, as well as occupational diseases
- Workforce turnover rate

Business ethics

- Prevent and fight against corruption
- Guarantee respect for human rights



Given the nature of our businesses, the following topics are not among our main risks:

- the circular economy
- food waste
- the fight against food insecurity, respect for animal welfare, responsible, fair and sustainable food

The definition of the significant greenhouse gas (GHG) emission items in our activities and the calculation of our GHG emissions will be published in our next extra-financial performance statement. In view of the context of the health crisis linked to Covid-19 in 2020, this work could not be finalized.

Tax avoidance does not appear in our structured risk analysis, so we do not include it in our CSR risk analysis, and we do not deal with this subject. This topic, if it becomes a main risk, will be addressed in the next few years.

These risks, as well as the objectives that Paragon ID has set for itself, are described in the following paragraphs.

Our main risks and objectives

The main risks identified within Paragon ID are grouped around 3 distinct topics. At each risk or risk area identified, one or more clear objectives are associated. The set of indicators was calculated over the period from July 1, 2019 to June 30, 2020.

Parameters

The indicators listed below have been selected to meet the regulatory requirements for extra-financial information.

The RSE information corresponds to the parameters of the Paragon ID company, including the following sites:

- France - sites of Mouans Sartoux and Argent-sur-Sauldre
- United Kingdom - Hull and Rayleigh (Thames Technology) sites
- United States - Burlington site
- Romania - Bucharest site

Risk management / environmental matters

In terms of environmental matters, the company aims to:

- **ensure compliance with regulations** by reducing the impact on the environment
- **ensure responsible waste management**, in particular waste products released into the air

Risk 1: Ensure compliance with regulations by reducing the impact on the environment

Findings

The company has 5 production sites. Three of the main production sites, Rayleigh, Hull and Argent-sur-Sauldre, have been ISO 14001 certified since 2010, 2011 and 2015, respectively. In our action plan, we had stated that our Romanian site would be certified in 2020. This was achieved in April 2020.

Action plan

Our objective is for our Burlington site to be certified ISO14001 no later than 2022.

Indicators and objectives

Production sites certified ISO 14001	Thames	BBP	PIROM	PISAS	INT'TAG
Certification obtained	Yes	Yes	Yes	Yes	No

Risk 2: Ensure responsible management of waste, especially air pollution

Findings

Our sites in Hull and Argent sur Sauldre release solvents into the atmosphere. These releases comply with the legislation in force. Our ISO14001 certifications ensure this.

Air pollution	Thames	BBP	PIROM	PISAS	INT'TAG	PID
VOC emissions (Volatile organic compounds)	No	Yes	No	Yes	No	No

Action plan

Our primary objective is to compile the measurements of these emissions compare them with the legal thresholds and compile the action plans implemented in these two sites. The health crisis has resulted in a drop of around 90% in the consumption of magnetic coating, and therefore of solvent, and thus the releases are not significant for the period. We are renewing this action for 2021.

Risk Management / Human Resources

In terms of social matters, there are 2 identified risks:

- **risk of accident at work:** Paragon ID aims to ensure the health and safety of its employees;
- **risk related to the staff turnover rate:** By controlling this risk, Paragon ID aims to retain its talents and, as part of its growth, strengthen its attractiveness to recruit new ones. Particular attention is given to turnover rates in the USA and Romania.

The health crisis has resulted in a sharp reduction in the need for staff, in particular at the Hull, Burlington and Bucharest sites. We have been forced to downsize the existing workforce, and thereby increasing staff turnover. This point nevertheless remains a risk that we will have to control when we return to a normal level of activity.



Risk 3: Occupational accidents, including their frequency and severity, as well as occupational illnesses

Findings

Occupational accidents	TCT	BBP 2020	PIROM	PISAS	PID	INT'TAG	Division
N° of accidents with workdays lost	1,00	2,00	0,00	3,00	3,00	1,00	10,00
N° of hours worked (in millions)	0,29	0,26	0,24	0,33	0,09	0,09	1,31
N° of workers with contracts	152,00	125,00	119,00	201,00	57,00	45,00	699,00
Rate of occupational accidents N° of lost time accidents per million hours worked; this rate only takes into account contracted workforce	3,43	7,10	0,00	9,07	31,99	11,11	7,66
No of calendar days lost	0,50	27,00	0,00	25,00	190,00	10,00	252,50
Hours worked (in 000s)	291,84	240,00	238,95	330,65	93,77	90,00	1285,20
Severity rate of work accidents N° of calendar days lost per 1,000 worked hours	0,00	0,10	0,00	0,08	2,03	0,11	0,20

During the financial year, there were 10 work accidents with workdays lost in the entire division. These accidents occurred mainly at the sites of Argent sur Sauldre and Mouans-Sartoux (3 accidents at each site), and at the Hull site (2 accidents).

Over the previous financial year, we had to deplore 15 work accidents, which had resulted in 418 days lost. In comparison, this year has been better with a loss of 252 days. It should be noted that the 190 lost days on PID (Mouans Sartoux site) are mainly linked to 180 days lost to an accident that took place on the site during a lunch break and the use of the ping pong table that had been made available to employees. We were forced by the French authority “Carsat” to classify this accident as a work accident. Without this exceptional "element" the days lost would be 72, which shows a very good development considering the addition of the Rayleigh site.

The frequency rate corresponds to the number of accidents with lost time per million hours worked; this rate only takes permanent employees into considerations. This rate is down by 63%.

The severity rate corresponds to the number of calendar days lost for 1,000 hours worked. This rate, which is declining, would be 0.05 without the exceptional element. It should be noted that there was no declaration of occupational disease during the year, like last year.

Action plan

Workplace accidents at the sites, compared to the previous year, are down but are not yet at our 0 target. This is why we must continue to increase our vigilance; we have set ourselves the objective of guaranteeing the health and safety of all our employees.

In order to reduce this risk, the actions taken are as follows:

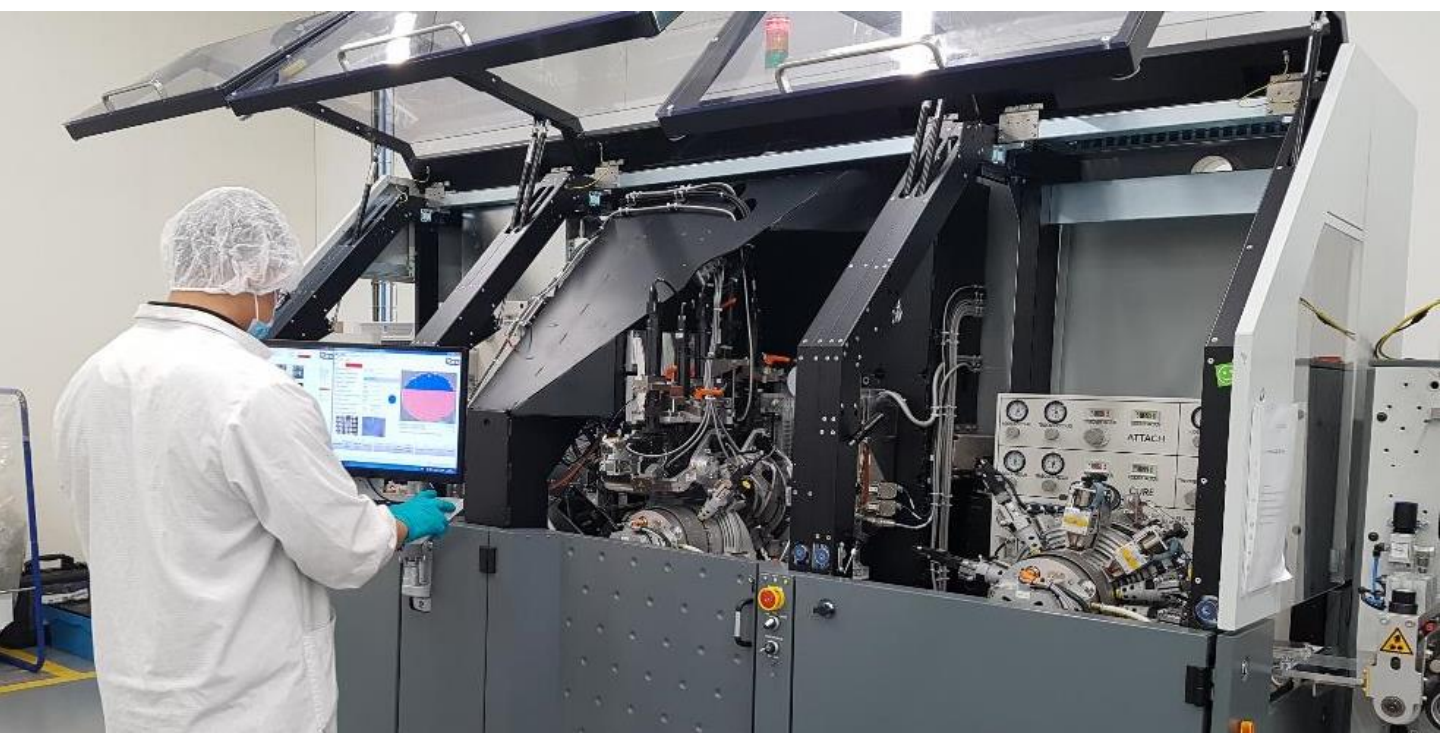
- Meeting of a multidisciplinary team following each accident, in order to define causes and corrective actions;
- Sensitization of employees after an accident or near accident;
- On the Argent sur Sauldre site, the "0 accident" criterion was revalued in relation to the other criteria for awarding quarterly bonuses, in order to raise awareness and make all employees aware of potentially dangerous situations;
- The health crisis has led us to put in place very strict measures and rules concerning, among other things, barrier gestures, wearing a mask, teleworking, etc.

Indicators and objectives

The indicators selected for the accident risk are:

- the severity rate
- the frequency rate

The goal is simple: 0 accidents and 0 transmission of Covid within our organisation.



Risk 4 : Workforce turnover rate

Findings

Workforce / age pyramid		Thames	BBP 2020	PIROM	PISAS	PID	INT'TAG	Division
< 20	Women	0	0	0	0	0	0	0
	Men	0	1	2	1	0	0	4
20-29	Women	2	14	21	5	0	6	48
	Men	7	12	16	11	3	7	56
30-39	Women	20	2	20	16	1	4	63
	Men	13	10	7	36	10	6	82
40-49	Women	14	11	28	30	8	3	94
	Men	29	19	6	36	15	4	109
50-59	Women	17	14	16	18	2	4	71
	Men	22	22	3	43	14	5	109
> ou = à 60	Women	10	7	0	4	0	3	24
	Men	18	13	0	1	4	3	39
Total	Women	63	48	85	73	11	20	300
	Men	89	77	34	128	46	25	399
Grand Total		152	125	119	201	57	45	699
% of workforce 60 and above		18,42%	16,00%	0,00%	2,49%	7,02%	13,33%	9,01%

TURN OVER 2019-2020	Thames	BBP	PIROM	PISAS	PID	INT'TAG	Division
Workforce as of 30th of June	152	125	119	201	57	45	699
New hires	14	13	35	9	26	21	118
Departures	22	9	61	11	22	22	147
Including departure by own initiative (resignation, "rupture conventionnelle")	14	9	36	8	2	17	86
Turnover: voluntary departures / workforce	9,21%	7,20%	30,25%	3,98%	3,51%	37,78%	12,30%

TURN OVER 2018-2019	Thames	BBP	PIROM	PISAS	PID	INT'TAG	Division
Workforce as of 30th of June	N/a	133	145	213	51	51	593
New hires	N/a	37	107	10	6	20	180
Departures	N/a	24	105	19	20	20	188
Including departure by own initiative (resignation, "rupture conventionnelle")	N/a	19	90	3	3	14	129
Turnover: voluntary departures / workforce	N/a	14,29%	62,07%	1,41%	5,88%	27,45%	21,75%

Our company is made up of a diverse workforce, we value inclusion and ensure equal opportunities for all. The geographical position of each site has a different appeal, each employment area has its own constraints of attractiveness, employment rates and job design. Although recruitment is not a major problem in all our sites, attraction and retention of talent can be a real challenge in others.

There are 2 elements to take into account in the analysis of our staff rotation:

The age pyramid: Across the division, 35% of our employees are over 50, and nearly 9% are 60 or over. Thames Technology, which joined the Group in November 2019, has an "inverted" age pyramid. Indeed, 44% of employees are over 50 years old. This will change significantly during 2020 and 2021 with many employees taking their retirements.

Given the specific knowledge and experience of these employees, we must anticipate their retirement without losing know-how. On the other hand, if some entities of the division seem to be successful in hiring the talents of tomorrow, this is not the case for the whole company.

Turnover: the calculation that we use for this indicator is the number of voluntary departures initiated by the employee (resignation, 'rupture conventionnelle') from the total workforce. If we compare the overall rate with the previous year, we are at 12% compared to 21% last year. By analyzing it more precisely, we see that significant improvements have occurred at the Bucharest site, from 62% to 30%. This turnover rate remains high all the same. We note a good improvement on the Hull site where a HR policy has been put in place. The rate has however deteriorated on the other hand at the American site.

As these indicators only give a "trend", we must, in order to retain our talents and also attract new ones, reward loyalty and strengthen our attractiveness.

This is all the more a reality during the current health crisis even though we do not have the same resources to attract new talent and have to let others go. We have to deal with these contradictions.



Action plan

Age pyramid:

- Work on a major internship and apprenticeship campaign to ensure the attractiveness of our company to the next generation. This will, in priority, be carried out in the USA in 2021; and
- Work on strategic workforce planning at the entity level to avoid loss of knowledge related to the departure of seasoned employees

Turnover:

- Work on the integration path to help recruits to be more successful in their new positions;
- Further analysis of the causes of voluntary departures (interviews, analysis of seniority at the time of departure) to adapt an action plan to combat the causes of this risk.

Indicators and objectives

The indicators selected for the turnover risk are:

- The age pyramid
- Voluntary departures / total staff

Our objectives are:

- **On the age pyramid:** Improve our current staffing base by hiring new, up-and-coming talent and ensure the retention of key skills and tribal knowledge with the departure of seasoned employees. This objective is complicated due to the current health crisis and the departures that have occurred during the summer 2020. However, the support measures that have been put in place worldwide help us with this objective.
- **On employee retention:** The average turnover rate worldwide between 2013 and 2018 was 23% (Hays Group's "Preparing for take-off" study). We are currently at 12,30% across the division and want to achieve a "healthy" rate within each entity, especially at our Burlington site.



Risk management / Business Ethics

In terms of business ethics, Paragon ID aims to:

- prevent and fight against corruption
- guarantee the respect of human rights

Risk 5 : Prevent and fight against corruption

Findings

An anti-corruption policy was drafted and presented to the operating companies ethic Committees in April 2019, to be distributed to all employees

Action plan

We must now make sure that all employees have access to and are aware of this policy. To ensure this, the anti-corruption policy will be distributed to all new hires.

An online training tool is being developed and is already being deployed at the Hull site. We are thinking of using this tool to provide identical training, for all employees of the division, on the subject of the fight against corruption.

We must also make the contact details of the training team available to the employees at each site in case they are needed to answer any questions.

Indicators and objectives

- Number of new hires who received the procedure:
Objective 100% in 2021
- Appointment of an Ethics representative for each geographical area.
Objective: 1 representative per site in 2021
- Implementation of the internal training tool:
Objective: in place for the year 2022, with access to Ethics training



Risk 6 : Ensuring respect for human rights

Findings

Our company is made up of various subsidiaries that have come together over the years through acquisitions, mergers and creations. While the DNA of each entity is unique to us, we all share the same basic principles of respect for human rights, inherent in our culture and our societal commitments.

The subsidiaries of our company are all located geographically in countries that have signed the United Nations Charter of Human Rights.

Fundamental rights risk management is partially formalized at the level of each company in the structure; it is, in every country where we are located, integrated with the laws with regard to the following:

- Working conditions, for employees and for subcontractors (hours and working hours, Health and Safety),
- Compensation arrangements and the social security scheme,
- Combating all types of discrimination and harassment,
- Protection of personal data,
- Freedom of association and freedom of union,
- The fight against child labour and all types of forced labour (e.g. practices similar to modern slavery)

Note that collective agreements are signed, mainly in France, where we respect the legislation in force. In the year 2019-2020, in France, we signed 3 agreements (salary negotiation x2, gender equality). In Romania, an agreement is signed each year with staff representatives on the subject of minimum wages.

Action plan

Wishing to commit ourselves further to respect for Human Rights, we are gradually disseminating the Paragon Group's statement on Modern Slavery in order to recall the importance of respecting Human Rights for our society.

This policy will be disseminated to all employees and deployed in the same way as our anti-corruption policy. It is available on our website.

Indicators and objectives

- Drafting and dissemination of the Human Rights Policy:
Objective: 100% of employees informed in 2021
- Number of new hires who receive the procedure:
Objective: 100% in 2021
- Appointment of a Human Rights representative for each geographical area.
Objective: 1 representative per site in 2022
- Implementation of the internal training tool:
Objective: in place for 2022, with access to Human Rights training.



Contact :

If you need additional information,
please contact the Paragon ID CSR
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FINANCIAL REPORT

2020

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

		12 months	12 months
<i>In thousands of euros</i>	<i>Notes</i>	June 2020	June 2019
Revenues	4	107,998	107,959
Cost of sales	5	(56,740)	(58,796)
Employee costs	6	(28,028)	(25,994)
Other operating income and expenses	7	(15,369)	(14,917)
Operating income before depreciation, amortisation, impairment and non-recurring items		7,861	8,252
Amortisation and impairment of intangible assets	12	(3,390)	(2,389)
Depreciation of property, plant and equipment	13	(4,994)	(3,359)
Other non-current income and expenses	8	(2,952)	(2,281)
Operating income		(3,475)	223
Financial income/(expenses)	9	(2,345)	(1,987)
Income/(Loss) on disposal of fixed assets		3	57
Income/(Loss) on investments	14.1	(300)	-
Pre-tax operating income		(6,117)	(1,707)
Share in the net income of joint ventures	14	(289)	(120)
Income tax	10	676	278
Net income – Continuing operations		(5,730)	(1,549)
Losses from discontinued operations		(35)	(215)
Net income – Discontinued operations		(35)	(215)
Net income		(5,765)	(1,764)
Attributable to:			
The owners of the Company			
- Continuing operations		(5,769)	(1,569)
- Discontinued operations		(35)	(215)
Non-controlling interests			
- Continuing operations		39	19
- Discontinued operations		-	-
Earnings per share from continuing operations			
Basic (euro-cents per share)	11	(291.60)	(78.88)
Diluted (euro-cents per share)	11	(291.60)	(78.88)
Additional Information			
Operating income		(3,475)	223
Non-recurring (income)/expenses	8	2,952	2,281
Operating income before non-recurring (income)/expenses		(523)	2,504

2. OTHER COMPREHENSIVE INCOME ITEMS

		12 months	12 months
<i>In thousands of euros</i>	<i>Notes</i>	June 2020	June 2019
Net income		(5,765)	(1,764)
Items that may subsequently be reclassified to net income			
Currency translation adjustments of controlled investments		(223)	(277)
Items that may not subsequently be reclassified to net income			
Actuarial gains and losses on provisions for retirement benefits	6.3	134	(402)
Deferred taxes related to the provision for retirement indemnities	6.3	(38)	107
Total income		(5,892)	(2,336)
Attributable to:			
The owners of the Company		(5,931)	(2,358)
Non-controlling interests		39	19

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of euros</i>	Notes	30/06/2020	30/06/2019 ¹
Goodwill	1.2/12.1	50,066	49,713
Intangible assets	12	12,645	11,516
Property, plant and equipment	13.1	10,528	10,016
Assets related to rights of use of leased assets	13.2	4,446	-
Deferred tax assets	10	3,855	2,920
Interests in joint ventures	14	2,034	2,627
Other financial assets	26.1.1	485	481
Non-current assets		84,059	77,273
Inventories	16	13,445	14,355
Trade receivables	17.1	9,812	10,351
Other receivables	17.3	6,677	7,184
Cash and cash equivalents	18	21,219	8,607
Current assets		51,153	40,497
Total Assets		135,212	117,770
Issued capital	19	68,787	58,287
Share premiums		60,887	60,853
Other Reserves		(80,951)	(81,523)
Treasury shares		(188)	(222)
Currency translation adjustment reserve		(1,789)	(1,566)
Employee securities revaluation reserve		(249)	(345)
Reserves attributable to owners of the Parent Company		(15,110)	(9,309)
Non-controlling interests		71	32
Equity		31,458	26,207
Financial debt – non-current portion	20	22,436	7,900
Financial debt – non-current portion, with related parties	20	20,262	31,906
Liabilities from rights of use – non-current portion	13.2	2,766	-
Liabilities from finance leases	20	-	664
Deferred tax liabilities	10	1,449	1,584
Provisions for retirement commitments	6.3	1,760	1,743
Non-current liabilities		48,673	43,797
Liabilities from finance leases	20	-	277
Liabilities from rights of use – current portion	13.2	1,628	-
Financial debt – current portion	20	9,341	7,508
Financial debt – current portion, with related parties	20	5,854	6,846
Trade and other payables	21	21,777	23,122
Other creditors	21.1	14,861	8,482
Provisions	22.1	1,620	1,531
Current liabilities		55,081	47,766
Total Liabilities and Shareholders' Equity		135,212	117,770

¹ The financial statements at 30 June 2019 have not been restated to reflect the application of IFRS 16 "Leases". See Notes 2.2 and 13.2 concerning the effects of the application of IFRS 16.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

		12 months	12 months
<i>In thousands of euros</i>	Notes	June 2020	June 2019
Pre-tax operating income		(6,117)	(1,707)
Adjusted for:			
Losses from discontinued operations		(35)	(215)
Financial interest	9	2,345	1,987
Cost of share-based payments		572	
Depreciation and amortisation of intangible assets and property, plant and equipment	12/13	8,384	5,748
Share of net income of joint ventures	14	(289)	(120)
(Reversal)/Charge to provisions		825	-
(Gains)/Losses on investments		300	-
Gains on acquisitions of subsidiaries		-	(419)
Amortisation of government grants		-	4
Gain or loss on disposal of intangible assets and property, plant and equipment		(3)	(57)
Cash flows from operations before working capital requirements		5,982	5,221
(Increase)/decrease in inventories		2,311	(2,846)
Increase/(decrease) in trade payables		(5,798)	(4,743)
(Increase)/decrease in trade receivables		6,233	4,076
(Increase)/decrease in other current assets and liabilities		4,423	(834)
Cash flows from operating activities		13,151	874
Repayment/(Payment) of taxes		15	309
Net cash flows generated by operating activities		13,166	1,183
Acquisitions of intangible assets	12	(3,036)	(1,066)
Acquisitions of property, plant and equipment	13	(1,458)	(3,329)
Proceeds from disposals of property, plant and equipment		76	529
Acquisition of subsidiaries, net of cash acquired	1.2	(1,533)	(2,002)
(Increase)/decrease in other financial assets		(4)	(311)
Cash flows from investing activities		(5,955)	(6,179)
Repayment of lease liabilities	20	(1,833)	(335)
Repayment of loans	20	(6,368)	(6,355)
Proceeds from the issue of loans and bonds	20	17,428	5,517
Repayment of loans from related parties	20	(3,127)	3,251
Interest paid		(1,733)	(1,985)
Interest income		-	-
Cash flows from financing activities		4,367	93
Increase/(decrease) in net cash and cash equivalents		11,578	(4,903)
Cash and cash equivalents, net of overdrafts – beginning of period		3,781	8,676
Increase/(decrease) in net cash and cash equivalents		11,578	(4,903)
Impact of exchange rate changes on net cash and cash equivalents		17	12
Cash and cash equivalents, net of overdrafts – end of period		15,376	3,781

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of euros</i>	Share capital	Share premiums	Other Reserves	Treasury shares	Currency translation adjustment reserve	Employee securities revaluation reserve	Retained earnings	Total Equity - Group share	Non-controlling interests	Total Equity
Opening position 01/07/2018	58,287	60,853	(81,523)	(242)	(1,289)	(50)	(7,524)	28,512	10	28,522
Income for the year							(1,785)	(1,785)	19	(1,766)
Other comprehensive income for the year, after income tax					(277)	(295)		(572)		(572)
Total income for the year					(277)	(295)	(1,785)	(2,357)	19	(2,338)
Non-controlling interest resulting from acquisition								-	3	3
Treasury shares				20				20		20
Closing position 30/06/2019	58,287	60,853	(81,523)	(222)	(1,566)	(345)	(9,309)	26,175	32	26,207
Impact of first-time adoption of IFRS 16							3	3		
Opening position 01/07/2019¹	58,287	60,853	(81,523)	(222)	(1,566)	(345)	(9,306)	26,178	32	26,210
Income for the year							(5,804)	(5,804)	39	(5,765)
Other comprehensive income for the year, after income tax					(223)	96		(127)		(127)
Total income for the year					(223)	96	(5,804)	(5,931)	39	(5,892)
Capital Increase	10,500	(40)						10,460		10,460
Issuance of equity warrants		74	572					646		646
Treasury shares				34				34		34
Closing position 30/06/2020	68,787	60,887	(80,951)	(188)	(1,789)	(249)	(15,110)	31,387	71	31,458

¹ The financial statements at 30 June 2019 have not been restated to reflect the application of IFRS 16 "Leases". See Notes 2.2 and 13.2 concerning the effects of the application of IFRS 16.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRELIMINARY REMARKS AND EVENTS DURING THE PERIOD

1.1. General information

Paragon ID SA (formerly ASK) (“the Company”) was incorporated in October 1997 as a public limited company (*société anonyme*) under French law. Its registered office is located at 1198 avenue du Docteur Maurice Donat, 06250 Mougins, France.

Since 1 July 2014, the Company’s shares have been listed on Compartment C of the Euronext market.

During the financial year ended 30 June 2017, ASK SA’s scope of consolidation was changed following the reverse acquisition of the Paragon Identification Division. Consequently, control over the legal acquirer (ASK SA, the “former ASK Group”) has passed to the legally acquired company (Paragon France SAS, “the Paragon Identification Division”).

In terms of business, the Company and all of its subsidiaries design, produce and market contactless technology products for passenger transport, product identification and traceability for the identity market and for the banking industry, such as contactless cards, dual interface cards, contactless tickets, contactless labels, readers and other reading devices, passport covers and driving licences.

1.2. Events during the period

1.2.1 Issue of equity warrants and allocation of free shares

At its meetings on 9 and 30 July 2019, the Board of Directors approved the issuance of 51,250 equity warrants to directors and managers of the Group, the purpose of which was two-fold: to give the beneficiaries a stake in the Company in order to incentivise the search for performance and to encourage them to remain with the Group for a three-year period. The characteristics of the warrants thus issued are as follows:

- These equity warrants may be exercised in the following proportions and subject to the following conditions:

Condition(s)	Proportion of warrants exercisable
Continued employment of the beneficiary by the Company, Grenadier Holdings PLC or the companies under their control under the definitions of Article L. 233-3 dated 1 January 2020	33%
Continued employment of the beneficiary by the Company, Grenadier Holdings PLC or the companies under their control under the definitions of Article L. 233-3 dated 1 January 2021	33%
Continued employment of the beneficiary by the Company, Grenadier Holdings PLC or the companies under their control under the definitions of Article L. 233-3 dated 1 January 2022	34%

TOTAL	100%
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- A total of 51,250 2018-1 equity warrants were allocated by the Board of Directors, of which 5,750 have become void, having been cancelled;
- The subscription price of these equity warrants was set at €1.75 per equity warrant;
- These 2018-1 equity warrants are exercisable over a maximum of ten years from the date that they may be exercised, as provided in the table below;
- The exercise price of these equity warrants set by the Board of Directors is €33.25 per equity warrant. The total sum of the exercise price and subscription price, i.e. €35, corresponds to the par value of the Company's shares. On the days on which these warrants were allocated, the share price was below this par value.

Holders of the 2018-1 equity warrants had to pay a subscription fee of €1.75, which corresponds to 5% of the value of the share when it was granted. This is a market rate, justified by the fact that the 5% rate comes from analyses conducted by independent tax specialists. When these equity warrants were granted, the Company's capital stood at €58.2 million, corresponding to 1.7 million shares. The beneficiaries of the 2018-1 equity warrants are the Group's employees and corporate officers.

At its meetings on 9 and 30 July 2019, the Board of Directors voted to allocate a total of 25,150 free shares ("AGA") to the Group's directors and managers.

Based on these characteristics, the value of the equity warrants and free shares was recognised against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation. The impact on employee costs of these instruments is detailed in Note 6 below.

1.2.2 Acquisition of Thames Card Technology Ltd

On 31 October 2019, Bemrose Booth Paragon Ltd acquired all of the shares in Thames Card Technology Ltd, thereby obtaining control of the company.

Thames Technology is an English company which designs, manufactures, personalises and distributes payment cards, loyalty cards, gift cards and other types of cards. Established in 1994, Thames Technology now sells over 250 million cards a year, distributed to customers in over 60 countries worldwide. The acquisition of Thames Technology is a major step forward for Paragon ID's Payment business line which was created following the acquisition last year of the AmaTech Group.

This transaction represents a major opportunity for the Group to increase its market share in the various card markets in the United Kingdom, building on its already established positions in public transport and education.

The purchase price based on the fair value of the assets and liabilities acquired must be temporarily allocated before the end of a period of twelve months following the effective date of the business combination. The purchase price was temporarily allocated by the Group with the assistance of an independent external valuer and is presented in the following table.

At 31 October 2019:

Thames
In thousands of
GBP

Temporary allocation of purchase price	
Purchase price	3,414
Valuation of assets and liabilities	
Intangible assets	1,381
Property, plant and equipment	2,896
Deferred tax assets	718
Inventories	1,209
Trade and other receivables	4,911
Cash and cash equivalents	179
Total assets acquired	11,294
Current trade and other payables	(3,841)
Borrowings and financial debt	(3,701)
Deferred tax liabilities	(241)
Provisions	(607)
Total liabilities acquired	(8,390)
Fair value of assets and liabilities	2,904
Goodwill	510

The valuation techniques used to determine the fair value of the significant assets acquired are as follows:

Assets acquired	Valuation techniques
Intangible assets	<i>Royalty method, excess profit method:</i> The royalty method is based on an estimate of the discounted royalties that should be avoided following the acquisition of the brand and the software supporting the industrial process. The profit method takes into account the present value of the net cash flows expected to be generated from customer relationships, excluding any cash flows related to support assets.

For the measurement of the fair value of the assets and liabilities acquired, the values of the brand and industrial software were analysed, based on the future income expected to be generated by those assets existing at the acquisition date. This led the Group to recognise a value of £302 thousand for the brand and £391 thousand for the industrial software used by the Company. The Group also valued its customer relationships at £661 thousand.

The value of the brand will be amortised over a period of four years, and the industrial software will be amortised over a period of ten years, which corresponds to the average remaining life at the acquisition date. Customer relationships will be amortised over a period of four years, which corresponds to the period during which virtually all customer relationship flows will be understood by the Group.

The cash impact of the transaction is as follows:

	In thousands of GBP
Analysis of cash flow on acquisition	
Cost of acquisition	(3,414)
Deferred acquisition cost payments	1,914
Net cash acquired	179
Cash flow net of acquisition	(1,321)

Revenues generated by Thames since 31 October 2019 are included in the consolidated income statement and amounted to £8.4 million. Over the period from 1 July 2019 to 30 June 2020, revenues amounted to £13.9 million.

The loss incurred by Thames since 31 October 2019 is included in the consolidated income statement and amounted to £33 thousand. Over the period from 1 July 2019 to 30 June 2020, profit amounted to £1.2 million.

1.2.3 Strengthening Paragon ID's balance sheet

In February 2020, the Group also announced a programme to strengthen its balance sheet, implemented through two transactions:

- i a capital increase of €0.5 million through a private placement with the waiver of preferential subscription rights;
- ii the conversion by Grenadier Holdings Plc. ("Grenadier"), of convertible bonds ("CBs") worth €10 million.

These two transactions combined, completed at a price of €35 per new share issued, strengthen the balance sheet of Paragon ID and provide additional funds to finance its continued growth. Moreover, the conversion of the convertible bonds into new shares has boosted the Company's equity and reduced the annual financial expenses of this bond issue, which stood at €0.8 million.

1.2.4 COVID-19

The ongoing COVID-19 health crisis has had and continues to have an impact on the Group's activities. The Group is in a position to fairly accurately assess these effects on its results for the year ended, having completed a review in February of its landing forecasts at 30 June 2020, before the crisis spread beyond China, to Europe and then the rest of the world. These forecasts were therefore based on a COVID-19 impact on the Group's activities limited to supply chain disruptions for products coming from Asia, which the Group was then actively controlling. This was the situation envisaged at the time, providing a fairly reliable basis of comparison for determining the effects of the pandemic on activity at the end of the financial year.

On this basis, we have identified the following effects of COVID-19 on the activities of the Group, which has obtained the necessary exemptions to keep each of its industrial sites active, as an essential activity, through lockdowns.

- As a result, revenues fell by 14% compared with the 30/06/2020 landing forecast from February due to the closure of borders and the reduction in population movements both internationally and regionally.

- The decline in revenues led to a decrease in the cost of sales. The gross margin of 47% achieved is, however, slightly higher than projected in the landing forecast due to a change in the product mix.
- The Group reduced its payroll by €2.8 million compared with the 30/06/2020 landing forecast from February through various actions such as the use of short-time working measures, staff reductions and wage cuts.
- Reduction of other operating income and expenses of €0.8 million compared with the 30/06/2020 landing forecast from February, thanks mainly to the reduction in transport and travel costs resulting from lockdowns.
- The increase in depreciation, amortisation and impairment due mainly to the depreciation of certain assets devalued as a result of the decline in activity caused by COVID.
- The increase in other non-current income and expenses is influenced mainly by the restructuring undertaken and described in the next paragraph.

On the other hand, the Group took out a State Guaranteed Loan (PGE) of €15 million in May 2020 to cover the risks associated with COVID-19. At the end of the financial year, the Group did not need to draw on these funds to meet its commitments to its suppliers.

1.2.5 Restructuring and preparing for exiting the crisis

In June 2020, following the decline in the Group's activity and its forecasts for the coming financial years, it was decided to readjust the Group's cost base to adapt to the new reality imposed by the current health crisis.

This process initially resulted in a series of departures in the United Kingdom both among Bemrose Booth Paragon Ltd (BBP) staff and also among Thames staff, leading to a reduction in the workforce by 80 people. These departures took place between the end of June and the beginning of July 2020. A provision of €751 thousand at the end of June was recognised for these departures at 30 June 2020.

Other departures and measures have been announced among EMEA teams (18 people) and US teams (30 people) since the beginning of the 2021 financial year.

The Group believes that these measures will enable it to be best equipped to achieve its profitability and growth objectives as it emerges from the health crisis.

2. ACCOUNTING RULES AND METHODS

2.1. Scope of consolidation

The scope of consolidation at 30 June 2020 is described in Note 15 of the report.

The Group also holds 56.30% of the share capital and voting rights of the I2PL joint venture (Noida, India), which no longer has any operational activity and is still in the process of liquidation. On 12 November 2018, the Group also acquired a 50% interest and voting rights in Airweb.

2.2. Standard applied

The consolidated financial statements were prepared in accordance with IFRS published by the International Accounting Standard Board (IASB), as adopted by the European Union on 30 June 2020. The IFRS standards as adopted by the European Union and the IASB may be consulted on the European Commission's website.

These accounting principles are identical to the ones used to prepare the annual consolidated financial statements for the financial year ended 30 June 2019, with the exception of the new adoptions mentioned below.

On 1 July 2019, the Group also adopted the following standards that entered into force:

- IFRS 16 – Leases: the Group adopted IFRS 16 with effect from 1 July 2019. The Group assessed the impact of the initial application of IFRS 16 on its consolidated financial statements, as described below.

IFRS 16 introduces a single model for recognising leases on the balance sheet for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Exemptions from recognition are provided for short-term leases and low-value leases. IFRS 16 replaces existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

The Group used the following method to assess the impact and make the transition to the new standard:

- (i) Leases in which the Group is a lessee: the Group has set up a project team that has reviewed all of the Group's leases over the past year in light of the new IFRS 16 accounting rules for leases to ensure the completeness and accuracy of the data. This review included the identification of assets with the right of use, the revision of the contractual end date, including renewal and early termination options, and the separation of service aspects in the lease. In addition, the Group determined that the borrowing rate that will be used as the basis for discounting future payments and the lease liability will be based on:
 - a. the interest rate included in the contract or;
 - b. the marginal rate of indebtedness that would be applied to Paragon Group entities to obtain the funds necessary to obtain an asset of similar value in a similar economic environment.

On the basis of this review, the Group recognised new assets and liabilities related to its operating leases, mainly for real estate, cars and equipment. The nature of the expenses related to these contracts has changed, as the Group recognises a depreciation expense for assets with the right of use and interest expenses for lease liabilities. Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease. The Group included lease payments due under the lease in its lease liabilities.

- (ii) Transition: the Group applied IFRS 16 for the first time as from 1 July 2019 using the simplified

retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019 without restatement of comparative information. The Group applied the practical expedient to preserve the definition of a transitional lease by defining that, on a lease-by-lease basis, a lessee may:

- a. Apply a single discount rate to a portfolio of leases with rather similar characteristics;
- b. Base its assessment of whether a lease is onerous on the application of IAS 17 immediately before the date of first application;
- c. Not recognise leases whose term ends within 12 months of the first application of the standard;
- d. Exclude the initial direct costs of the valuation of rights of use of assets at the date of application;
- e. Use its historical knowledge to determine the duration of the lease if the contract contains options to extend or terminate the lease;
- f. Allocate the rental and non-rental component included in operating lease payments.

This means that it applied IFRS 16 to all contracts entered into before 1 July 2019 that were identified as leases in accordance with IAS 17 and IFRIC 4.

Details of the impact of IFRS 16 are included in Note 13.2 of this document.

- IFRIC 23 – Uncertainty over Income Tax Treatments: the IASB published this interpretation, whose purpose is to clarify the application of the provisions of IAS 12 “Income Taxes” concerning recognition and measurement when there is uncertainty about the treatment of income tax. The new interpretation is applicable at 1 July 2019, with early application permitted. The application of this interpretation does not have a material impact on the Group.

The Group has not elected for early application of the standards, amendments and interpretations published by the IASB and approved by the European Union at 31 December 2019, which mainly include:

- IFRS 3: On 22 October 2018, the IASB published amendments to IFRS 3 relating to the definition of a business that aim to resolve the difficulties experienced by companies in determining whether they have acquired a business or a group of assets. These amendments apply to business combinations for which the acquisition date is on or after the beginning of the first financial year beginning on or after 1 January 2020;

- IAS 1 & IAS 8: On 31 October 2018, the IASB published “Definition of Material (Amendment to IAS 1 and IAS 8)” to clarify the definition of “material” and harmonise the definitions given in the Conceptual Framework for Financial Reporting and the standards themselves. The amendments apply to financial years beginning on or after 1 January 2020;

- IFRS 9, IAS 39 & IFRS 7: On 26 September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7 in the context of benchmark interest rate reform as a first step in addressing the potential impact of the reform of interbank offered rates (IBORs) on financial reporting. The amendments apply to financial years beginning on or after 1 January 2020.

The internal process for determining the potential impacts of these standards and interpretations on the Group’s consolidated financial statements is in progress.

2.3. Basis of preparation and principles of consolidation

The financial statements are presented in euros and rounded to the nearest thousand. The euro is the functional currency of PID SA.

The consolidated financial statements were measured using the historical cost method, except for certain financial instruments, which were measured at fair value at the end of each reporting period, as explained in the accounting methods below.

The financial statements were approved by the Board of Directors at its meeting of 22 October 2020. They will be submitted to the Annual General Meeting for approval.

2.3.1 Principles of consolidation

The Group is consolidated as follows:

Entities in which the Company directly or indirectly exercises exclusive control (subsidiaries) are fully consolidated. The Group has control when it: (i) has power over the issuing entity; (ii) is exposed or entitled to variable returns because of its relationship with the issuing entity and; (iii) has the ability to exercise its power to influence the amount of returns it receives. The Group must verify whether it controls the issuing entity if the facts and circumstances indicate that one or more of the three elements of control listed above have changed. The Group consolidates a subsidiary from the date on which it obtains control and ceases to consolidate it when it loses control. More specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of consolidated income and other comprehensive income from the date the Group acquires control of the subsidiary until the date it ceases to control it. Net income and each component of other comprehensive income are attributed to the Group's owners and non-controlling interests. The total comprehensive income of subsidiaries is attributed to the Group's owners and non-controlling interests, even if this results in a deficit balance for them. If necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting methods into line with the Group's accounting methods.

The Group uses the equity method to account for entities in which the parent company exercises joint control (joint ventures). A joint venture is a partnership in which the parties exercising joint control have rights to the net assets of the joint venture. As a joint venture partner, the Group must recognise its interest in a joint venture as an investment using the equity method, unless the investment, or part of it, is classified as held for sale, in which case it is recognised in accordance with IFRS 5.

All inter-company transactions with fully consolidated companies are eliminated.

2.3.2 Foreign currencies

As part of the preparation of the financial statements of each Group entity, transactions denominated in a currency other than the entity's functional currency (foreign currency) are recognised by applying the exchange rate prevailing on the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are converted using the exchange rate in effect at that date. Non-monetary items recognised at fair value and denominated in foreign currencies are converted using the exchange rates prevailing on the date on which the fair value was determined.

Assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate prevailing at the end of the accounting period until paid. Exchange differences on

payment are recognised in the consolidated statement of net income.

For the purposes of presenting the consolidated financial statements, assets and liabilities related to the Group's foreign operations are converted into euros by applying the exchange rates prevailing at the end of each reporting period. Income and expense items are converted at the average exchange rate for the period. Exchange differences, if any, are recognised in other comprehensive income and accumulated in equity (and allocated to non-controlling interests, if any).

2.3.3 Business continuity

The Group's business continuity over the next 12 months is subject to its implementation of the industrial reorganisation plan developed following the emergence of COVID-19, as well as the continued support of its main shareholder in funding this reorganisation.

The main shareholder will, as it has done since its takeover, continue to support the Group financially and with respect to human resources over the next 12 months so that it can successfully complete its industrial reorganisation.

As a result of the conditions listed above, the financial statements have been prepared on a going concern basis.

2.4. Public grants

As part of its research and development activities, the Group receives research tax credits, which it recognises in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

Government grants are not recognised if there is not reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognised in net income or as a deduction from an asset that they finance on a systematic basis over the periods in which the Group recognises as expenses the related costs that the grants are intended to offset. More specifically, government grants, whose main condition is that the Group must purchase, build or otherwise acquire non-current assets, are recognised as a deduction from assets in the consolidated statement of financial position and recorded in net income on a systematic and rational basis over the useful life of the related asset.

2.5. Intangible assets

2.5.1 Internally-generated intangible assets – research and development costs

Expenditures for research activities are recognised as expenses in the period in which they are incurred. Expenditures related to development activities are recognised as intangible assets if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset with a view to commissioning or selling it;
- the intention to complete the intangible asset and commission or sell it;
- the ability to commission the intangible asset or sell it;

- how the intangible asset will generate probable future economic benefits;
- the availability of appropriate technical, financial and other resources to complete the development and commission the intangible asset or sell it;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initial amount recognised for an internally-generated intangible asset is equal to the sum of the expenditures incurred from the date on which that intangible asset first met the recognition criteria listed above. If no internally-generated intangible asset can be recognised, development expenditure is recognised in net profit or loss in the period in which it is incurred.

After initial recognition, internally-generated intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses using the same method as for intangible assets acquired separately.

2.5.2 Intangible assets acquired separately

Intangible assets with a finite useful life that are acquired separately are recognised at cost less cumulative amortisation and cumulative impairment losses.

2.5.3 Intangible assets recognised as part of business combinations

Intangible assets recognised as part of business combinations concern:

- recognised customer relationships as part of the Group's takeover of BBP and its subsidiaries;
- customer relationships and patents recognised as part of the reverse merger of ASK and its subsidiaries within the Paragon Identification Division;
- patents recognised as part of the Group's takeover of AmaTech and its subsidiaries;
- the customer relationships, industrial software and brand recognition as part of the Group's takeover of Thames Card Technology.

Patents, trademarks and industrial software are valued using the royalty method, while customer relationships are valued using the discounted future earnings method.

These fixed assets are based on estimates relating to the determination of the fair value of the assets acquired.

2.5.4 Goodwill

The final goodwill determined has been allocated to each of the cash-generating units and is not amortised. It is subject to impairment tests at least once a year and whenever events or circumstances indicate the possibility of an impairment loss. Such events and circumstances involve significant changes that are likely to have a lasting impact on the substance of the original investment.

Goodwill derived from the acquisition of foreign entities is measured in the functional currency of the acquired entity and converted into euros using the exchange rate prevailing at the end of the reporting period.

Goodwill is measured at cost when the price of the business combination is allocated, less any cumulative impairment losses.

2.5.5 Amortisation of intangible assets

Amortisation is recorded on a straight-line basis over the estimated useful life of the asset. Estimated useful lives and the amortisation method are reviewed at the end of each reporting period, and the impact of any changes in estimates is accounted for prospectively.

The following useful lives have been used for the purpose of calculating amortisation:

- Customer relationships: 4 to 10 years, depending on the customer relationship profile;
- Industrial software: 5 to 10 years;
- Brands: 4 years;
- Capitalised development costs: 3 years;
- Patents: 3 to 20 years, depending on the duration of the rights they confer;
- Licences: 2 to 14 years, depending on the lifespan of the licence.

Amortisation starts on the date that the asset is commissioned.

2.6. Property, plant and equipment

Property, plant and equipment are recognised at cost less cumulative depreciation and cumulative impairment losses. The fixed value of property, plant and equipment (other than assets under construction), less residual value, is depreciated on a straight-line basis over its estimated useful life:

- for industrial equipment: from 5 to 10 years;
- for furniture and fittings: 10 years.

Estimated useful lives, residual values and the depreciation method are reviewed at the end of each reporting period, and the impact of any changes in estimates is accounted for prospectively.

Assets leased under finance leases are depreciated over their expected useful life using the same method as for assets held. However, where there is no reasonable certainty that the right of ownership will be obtained at the end of the contract, the assets must be depreciated over the shorter of the term of the lease or their useful life.

An item of property, plant and equipment is derecognised when no future economic benefit is expected from its continuing use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in net profit or loss.

2.7. Impairment of property, plant and equipment, intangible assets and goodwill

At the end of each reporting period, the Group reviews the book amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable value of the asset is estimated to determine the amount of the impairment loss (if any).

The recoverable value is the higher of the fair value less costs to sell and the value in use. When assessing the value in use, the estimated future cash flows are discounted 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 which the estimates of future cash flows have not been adjusted.

If it is not possible to estimate the recoverable value of an individual asset, the Group assesses the recoverable value of the cash-generating unit to which the asset belongs. If a reasonable and consistent

allocation method can be determined, support assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation method can be determined.

If the estimated recoverable value of an asset is less than its book value, the book value of the asset is reduced to its recoverable value. An impairment loss is recognised immediately in net income.

If an impairment loss is subsequently reversed, the book value of the asset (or the consolidated entity) is increased to the amount of the revised estimate of its recoverable value, insofar as that increased book value does not exceed the book value that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised immediately in the income statement.

On a case-by-case basis:

- Internally-generated intangible assets are subject to an annual impairment test based on the future cash flows expected from said projects;
- Internally-generated intangible assets that are not yet ready to be put into service are also reviewed once a year according to their completion prospects;
- The Company conducts a comprehensive valuation of these patents in accordance with standard patent portfolio valuation practice. This approach results in the consideration of the overall value on the following bases:
 - o Patents used for products currently sold,
 - o Unused patents with a defensive value against competition.

For goodwill impairment tests, the Group has defined four CGUs relating to its activities. The methodology used consists mainly of comparing the recoverable value of the Group's CGUs with the corresponding net assets (including goodwill).

The recoverable amount is the higher of the fair value less costs to sell and the value in use. The value in use is determined on the basis of discounted future operating cash flows requiring the use of assumptions, estimates or assessments. Estimates of future operating cash flows are based on a strategic plan, an extrapolation of cash flows beyond the medium-term strategic plan and a terminal value.

Additional impairment tests are performed if particular circumstances or events indicate a potential loss of value. A sensitivity analysis of the impairment tests is provided in Note 12.1. Impairment losses on goodwill are irreversible.

2.8. Inventories

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Inventories of raw materials or goods are valued at purchase cost. Inventories of finished and intermediate products and work-in-progress are valued at their production cost.

This production cost includes the cost of materials and supplies used, production labour and other direct production costs and indirect factory costs, excluding overheads that do not contribute to production.

These costs are determined by reference to the "First In, First Out" method.

Impairment losses are recognised when the probable realisable value is lower than the cost price.

2.9. Financial instruments

Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as the case may be, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities measured at fair value through profit or loss are recognised immediately in net profit or loss. Receivables are valued at their nominal value.

2.9.1 Financial assets

The Paragon ID Group mainly holds loans and receivables.

In addition, the Paragon ID Group does not hold any financial assets that meet the cash equivalent criteria of IAS 7, financial assets at fair value through profit or loss, investments held to maturity and financial assets available for sale.

2.9.1.1. Loans and receivables

Loans are measured at amortised cost using the effective interest rate method, less any impairment loss. Receivables are initially measured at fair value, which generally corresponds to the transaction price. Interest income is recognised by application of the effective interest rate, except for short-term receivables, for which the impact of discounting is negligible.

The Group uses factoring for most of its trade receivables. Most Group companies have entered into deconsolidating factoring agreements, in which case the Group has assigned the main risks associated with the receivables sold to the factoring company. On the asset side of the balance sheet, these receivables are therefore deducted from the cash received on their sale to the factoring company.

A Group company uses a consolidating factoring agreement, under which it retains ownership of customer risk, in which case the receivables assigned are kept as balance sheet assets in return for the cash advance made by the factoring company.

2.9.1.2. Impairment of financial assets

Financial assets are impaired in stages:

First stage: As soon as a financial instrument is created or purchased, the expected credit losses over the life of the trade receivables and “short-term” contractual assets are recognised in net income and a provision for losses is established.

The Group uses an allowance matrix, under which impairment losses are calculated by grouping receivables according to customer type and forward-looking information to determine an allowance for losses from day one equivalent to the expected credit losses over the life of the receivables.

This serves as an indicator for initial expectations of credit losses.

Second stage: If there is objective evidence that the credit risk for a specific financial asset has increased significantly due to the impact of one or more events occurring after the initial recognition of the financial asset, then an impairment loss is recognised for that financial asset.

An objective indication of an impairment loss includes the following situations:

- significant financial difficulties on the part of the issuer or counterparty;
- a breach of contract such as failure to pay interest or the principal;
- for certain categories of financial assets such as trade receivables, disputes or litigation over

the nature of the asset that call into question the recovery of the receivable. Expected credit losses over the life of the loan are recognised in net profit or loss.

2.9.2 Cash and cash equivalents

Cash and cash equivalents consist mainly of bank overdrafts.

In the statement of cash flows, cash is presented net of bank overdrafts.

2.9.3 Financial liabilities and equity instruments

2.9.3.1. Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or equity depending on the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.9.3.2. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest rate method.

2.10. Long-term employee benefits

Contributions paid under defined-contribution pension plans are recognised as an expense when employees have rendered the services entitling them to those contributions.

For defined-benefit pension plans, the cost of benefits is determined using the projected unit credit method and actuarial valuations are performed at the end of each annual reporting period. Revaluations, including actuarial gains and losses, the effect of changes in the asset ceiling (if any) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position and a debit or credit is recognised in other comprehensive income in the period in which they occur.

Revaluations included in other comprehensive income are recognised immediately in retained earnings and will not be reclassified in net income. Past service cost is recognised in net profit or loss in the period in which a change in the plan occurs. Net interest is calculated by multiplying the net defined-benefit liability (asset) at the beginning of the period by the discount rate. Defined-benefit costs are classified in the following categories:

- service cost (current service cost, past service cost and gains and losses from curtailments and settlements);
- net interest (income or expenses);
- revaluations.

The Group presents the first two components of the cost of defined benefits in net income. Gains and losses arising from a curtailment are recognised as a past service cost.

A liability for termination benefits is recognised at the earlier of the date the entity can no longer withdraw its offer of benefits and the date it recognises the costs of a restructuring in this regard.

2.11. Share-based payment agreements

Share-based payments settled in equity instruments are measured at the fair value of those equity instruments on the grant date.

The fair value determined on the grant date of share-based payments settled in equity instruments is recognised as an expense on a straight-line basis over the vesting period based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase in equity also to be recognised. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of initial estimates, if any, is recognised in net profit or loss so that the cumulative expense takes into account the revised estimates, with a corresponding adjustment to the equity-settled employee benefits reserve.

Share-based payment transactions settled in equity instruments with parties other than employees are measured at the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted, at the date on which the entity obtains the goods or the other party provides the service.

2.12. Provisions

The Group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event whose amount can be reliably estimated and whose settlement is expected to result in an outflow of resources representative of economic benefits.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties relating to the obligation.

2.13. Taxes

The income tax expense represents the sum of current tax payable and deferred tax.

Current and deferred tax are recognised in net profit or loss unless they relate to items that have been recognised in other comprehensive income or directly in equity, in which case current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

In accordance with IAS 12, deferred taxes are not discounted.

2.13.1 Tax payable

Current tax payable is based on the taxable income for the year. Taxable income differs from "pre-tax income" recognised in the consolidated statement of net income because of income and expense items that are taxable or deductible in other years as well as items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates fully or partially adopted at the end of the reporting period.

2.13.2 Deferred tax

Deferred tax is determined based on temporary differences between the book values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable income. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income against which these

deductible temporary differences can be utilised will be available.

The Group's ability to recover its deferred tax assets relating to tax loss carryforwards is assessed by Management at the end of each financial year, taking into account forecasts of future taxable income.

Such deferred tax assets and liabilities are not recognised if the temporary difference stems from the initial recognition of assets and liabilities associated with a transaction (other than a business combination) that affects neither taxable income nor accounting income.

Deferred tax liabilities are recognised for all taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, unless the Group is able to control the date on which the temporary difference will be reversed and it is probable that the temporary difference will not be reversed in the foreseeable future.

The book value of deferred tax assets is reviewed at the end of each reporting period and reduced if it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered (Note 10 below).

Deferred tax liabilities and assets are valued at the tax rates that are expected to apply in the period when the asset is realised or the liability is paid, based on tax rates (and tax laws) that are fully or partially adopted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would result from the way in which the Group expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

2.14. Revenue recognition

The main types of contracts with customers identified within the Group are as follows:

- Sales of passports, driving licences in the eID markets;
- Sales of cards, tickets and validators for transport authorities;
- Sales of labels and traceability solutions to industrial companies and in distribution markets;
- Sales of bank cards and technology licences to banking industry players.

For these types of contracts, the revenue recognition rules under IFRS 15 are presented below.

For the sale of passports, driving licences, cards, tickets, validators, labels, traceability solutions and bank cards, the performance obligation is generally defined at the level of each individual good, not at the level of a batch of goods. Revenues are recognised at the time of the transfer of control of each asset, which most often occurs upon delivery, i.e. "at a specific point in time". If there is a risk that the transaction may be cancelled or the receivable may not be collected, known at the inception of the contract, revenues are not recognised; they will be recognised when the risk is removed. Deposits received from customers are recorded as contract liabilities when they are received. They are recognised as revenue upon delivery of the goods to which they relate.

For licences of banking technologies for which there are performance obligations according to the levels of sales of sub-licensed products by the subscribers of those licences. The revenues recorded are a royalty recognised on the basis of sales made by the customer in accordance with IFRS 15 paragraph B63.

There are no other performance obligations identified by the Group.

In most cases, the payment terms granted by the Group are between 30 and 60 days, and the Group does not offer its customers contracts with a significant financing component.

2.15. Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised over time based on the amount of principal outstanding and at the effective interest rate.

2.16. Leasing

All property leases as well as the main asset leases (vehicles, industrial equipment) are accounted for in accordance with IFRS 16.

At the start of the lease, the following are recognised:

- a lease liability equal to the present value of the lease payments to be made over the estimated term of the lease (this corresponds to the sum of fixed rents, variable rents indexed to an index or rate, payments under a residual value guarantee, the exercise price of a purchase or renewal option if exercise is reasonably certain and the early exit penalty unless it is unlikely to be exercised);
- a right of use equal to the lease liability, to which may be added the amount of payments made before the start of the contract, the amount of the initial direct costs relating to the contract (commissions and fees) and the costs of restoration or dismantling.

The term of the lease is determined by taking into account the provisions of the contract and the provisions resulting from the applicable legal framework.

Subsequently:

- the lease liability is measured at amortised cost using the effective interest rate, which is equal to the discount rate originally used;
- the right of use is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the exercise of a purchase option is reasonably certain. An impairment loss on the right of use may be recognised if necessary.

In the event of a change in the payments to be made as a result of a change in an index or a rate, the lease liability is recalculated using the original discount rate.

If the term of the lease is extended following the exercise of a renewal option not initially taken into account, the lease liability is recalculated using a discount rate determined at the exercise date.

In these cases, the change in the amount of the liability is offset by a change of the same amount in the right of use.

For the purposes of simplification, as permitted by the standard, the Group has chosen not to bring short-term or low-value leases within the scope of IFRS 16. Payments under these contracts are recognised over the term of the lease.

2.17. Operating income before depreciation, amortisation, impairment and non-recurring items

In the consolidated income statement, the Group presents an “Operating income before depreciation, amortisation and non-recurring items” sub-total, which is one of the main indicators monitored by the Group to manage and assess its operating results, make investment and resource allocation decisions and evaluate the performance of its management team. It is calculated on the basis of revenues less the cost

of sales, employee costs, taxes and duties, provisions, other operating income and other operating expenses. The Group believes that this indicator is useful to readers of its financial statements since it provides them with a measure of its operating income that excludes non-cash items such as depreciation and amortisation. This indicator also makes it possible to provide information concerning the results of the Group's current business activities and the generation of cash flows that enable investors to better identify trends in its financial performance. The methods used by the Group to calculate this aggregate may not be comparable to other measurements with a similar name used by other entities. In addition, this measurement should not be considered an alternative to operating income, given that the depreciation/amortisation excluded from this unit of measurement ultimately affects operating income. Consequently, the Group also presents "Operating income", which includes all amounts affecting its operating activity.

2.18. Operations held for sale and discontinued operations

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale that:

- represents a distinct major line of business or geographical area;
- is part of a single, coordinated plan to dispose of a distinct major line of business or geographical area or;
- is a subsidiary acquired exclusively for the purpose of resale.

Classification as an operation held for sale takes place at the date of disposal or at an earlier date when the activity meets the criteria to be classified as held for sale.

When an operation is classified as held for sale, the comparative statement of net income is restated as if the business had met the criteria of an operation held for sale from the beginning of the comparative period.

2.19. Critical accounting judgements and key sources of estimation uncertainty

The application of the Group's accounting methods requires Management to exercise judgement and make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available. These estimates and assumptions are based on past experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are regularly reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and in subsequent periods if the revision affects the current period and subsequent periods.

The main significant estimates made by Group management relate in particular to the measurement of the recoverable value of goodwill (Note 12.1).

3. SEGMENT INFORMATION

3.1. Products and services from which the income from ordinary activities of the reportable segments is derived

Following the acquisition of Thames Technology, the Payment activity previously presented separately is now included in the geographical segmentation within the “UK” activity, whereas AmaTech activities are included in the “US” activity, as that is where most of AmaTech’s customers are located. Comparative data has also been restated to reflect this change.

In accordance with IFRS 8, the activities to be presented are “EMEA”, “UK” and “US”.

- “EMEA” activity corresponds to all of the business generated by the Group’s sales and industrial teams on the European continent (Argent-sur-Sauldre, Mougins, Bucharest) targeting mainly, but not exclusively, European, African and Middle-Eastern customers;
- “UK” activity corresponds to all of the business generated by the Group’s sales and industrial teams located in the United Kingdom (Hull, Rayleigh) and targeting mainly, but not exclusively, customers in Commonwealth countries;
- “US” activity corresponds to all of the business generated by the Group’s sales and industrial teams located in the United States (Vermont) targeting mainly, but not exclusively, the Group’s American customers. In addition, AmaTech’s technology licencing activities, which are mainly aimed at American customers, are also included in the US segment.

The information thus presented corresponds to the measurement that is communicated to the Group’s main operational decision-makers (the Chief Executive Officer and the Board of Directors) for the purposes of allocating resources and assessing the performance of the segment. It does not include segment assets and liabilities. The accounting methods of the segments presented are the same as the Group’s accounting methods.

3.2. Income from ordinary activities and segment results

The segment income presented below represents income from external customers. There were inter-segment sales during the years presented that have been eliminated in the information presented below.

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
EMEA	56,323	66,006
UK	34,357	28,174
US	17,318	13,779
Revenues	107,998	107,959

12 months ended 30 June 2020, <i>In thousands of euros</i>	EMEA	UK	US	Total
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Revenues	56,323	34,357	17,318	107,998
Cost of sales	(31,003)	(18,243)	(7,494)	(56,740)
Direct Workforce	(6,307)	(3,618)	(2,887)	(12,812)
Other direct production costs	(3,608)	(2,745)	(1,101)	(7,454)
Income after direct costs	15,405	9,751	5,836	30,992
Centralised production and R&D management costs	(6,006)	(2,776)	(403)	(9,185)
Commercial expenses	(2,879)	(3,059)	(322)	(6,260)
Administrative costs	(5,465)	(1,376)	(846)	(7,687)
Other income and expenses	(4,233)	(3,361)	(793)	(8,387)
Other non-current income and expenses	(916)	(1,947)	(89)	(2,952)
Operating income	(4,094)	(2,766)	3,383	(3,475)

<i>12 months ended 30 June 2019, In thousands of euros</i>	EMEA	UK	US	Total
Revenues	66,007	28,174	13,779	107,959
Cost of sales	(40,258)	(12,537)	(6,001)	(58,796)
Direct Workforce	(7,968)	(2,064)	(2,376)	(12,408)
Other direct production costs	(4,605)	(1,569)	(967)	(7,141)
Income after direct costs	13,176	12,004	4,435	29,615
Centralised production and R&D management costs	(7,246)	(2,265)	(291)	(9,802)
Commercial expenses	(4,268)	(1,808)	(127)	(6,203)
Administrative costs	(4,913)	(561)	113	(5,361)
Other income and expenses	(2,164)	(2,417)	(1,164)	(5,745)
Other non-current income and expenses	(1,677)	(779)	175	(2,281)
Operating income	(7,092)	4,174	3,141	223

3.3. Income from ordinary activities from major geographical areas

The Group operates in three major geographical regions: Continental Europe (where the head office is located), the United Kingdom and North America.

The following table presents income from continuing operations from the Group's external customers by geographic region:

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
France	38,455	45,688
United Kingdom	29,415	22,862
Other European countries	10,293	10,037
North America	19,899	16,078
Latin America	2,085	2,567
Middle East Africa	5,032	4,288
Others	2,818	6,438
Revenues	107,998	107,959

3.4. Information about the main customers

None of the Group's customers individually represents more than 10% of income from ordinary activities.

3.5. Information on non-current assets

The Group's non-current assets are broken down by geographical area as follows: France: 39.6%; United Kingdom: 50.4%; Ireland: 9.9%; Other: 0.1%.

4. REVENUES

The following table shows the breakdown of the Group's revenues:

	12 months	12 months	12 months	12 months
<i>In thousands of euros</i>	EMEA	UK	US	June 2020
eID	5,274		6,553	11,827
Mass Transit	27,929	20,146	7,108	55,183
Traceability and Brand Protection	23,120	4,021		27,141
Payment		10,190	3,657	13,847
Revenues	56,323	34,357	17,318	107,998

	12 months	12 months	12 months	12 months
<i>In thousands of euros</i>	EMEA	UK	US	June 2019
eID	8,043	-	5,204	13,247
Mass Transit	31,694	25,326	6,864	63,884
Traceability and Brand Protection	26,270	2,847	-	29,117
Payment	-	-	1,711	1,711
Revenues	66,007	28,174	13,779	107,959

The COVID-19 health crisis had a significant impact on most of the Group's product lines and in particular eID, Mass Transit and Traceability and Brand Protection during the last quarter of the financial year. It should be noted that the Group saw growth in all of its product lines at the end of the third quarter.

The Payment product line was the only product line to show growth at the end of the financial year, due to (1) the organic growth of AmaTech's activities, in particular thanks to revenues derived from technology licences over the full financial year, and (2) the acquisition of Thames Card Technology, which generated €10 million in revenues.

5. COST OF SALES

The following table breaks down the items presented in cost of sales:

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
Purchase of materials & goods	45,137	44,354
Subcontracting and royalties	11,603	14,442
Cost of sales	56,740	58,796

The reduction in the cost of sales over the financial year is directly related to the slight modification of the sales mix during the financial year, with a higher proportion of sales linked to technology licences and therefore with a higher margin. In fact, the ratio of cost of sales to revenues was down slightly year-on-year to 52.5% (2019: 54%).

6. EMPLOYEE COSTS

6.1. Workforce

The Group's workforce is as follows:

<i>Workforce at end of month</i>	June 2020	June 2019
Direct production employees	368	322
Indirect production employees	165	133
Sales	70	61
Administrative services	66	44
Workforce at end of month	669	560

6.2. Breakdown of employee costs

Employee costs include (i) wages and salaries (ii) social security charges (iii) defined-benefit pension costs and (iv) share-based payments.

Employee costs break down as follows:

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
Gross salaries	22,512	20,419
Social security charges	4,820	5,422
Defined-benefit pension costs	134	153
Share-based payments	572	-
Employee costs	28,028	25,994

The increase in employee costs is linked to the increase in the average number of employees resulting from the acquisitions made during 2020. The average number of employees in financial year 2020 is 627, compared to 617 in financial year 2019. It should be noted that the average cost per employee in June 2020 is €5,100 (June 2019: €4,500).

Short-time working allowances recognised as a deduction from employee costs in jurisdictions where this is possible have resulted in savings of €990 thousand.

6.3. Pensions and employee benefits

6.3.1 Defined-contribution plans

Group employees in the United Kingdom, France and the United States participate in various pension plans. Group subsidiaries are required to pay contributions corresponding to a percentage of gross salaries into the pension plans to fund the benefits. The Group's only obligation with respect to these pension plans is to pay defined contributions.

The total expense recognised in net income represents the contributions that the Group must pay for these plans at the rates specified under the provisions of the plans.

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
Contributions included in net income	134	153
Defined-contribution pension plans	134	153

6.3.2 Defined-benefit plans

The Group is subject to a defined-benefit pension plan in France and obligations to its employees with respect to retirement benefits are limited to a lump-sum payment made on retirement based on compensation and length of service calculated for each employee.

This plan exposes the Group to actuarial risks such as longevity risk (related to participants' mortality rates) and salary risk (related to participants' future salary increases).

Mortality assumption

The present value of defined-benefit plan liabilities is calculated based on the best estimate of mortality rates for plan participants during employment. An increase in the life expectancy of plan members may have the effect of increasing the present value of plan benefits.

Salary assumption

The present value of the defined-benefit plan liability is calculated on the basis of the future salaries of the participants in the plan. Accordingly, any increase in the salaries of those participating in this plan will have the effect of increasing the present value of plan benefits.

Turnover assumption

The present value of the defined-benefit plan liability is calculated based on the probability that plan members will still be employees of the Company at the time of their retirement and takes into account only departures at the employee's initiative. Accordingly, any change in the turnover of employees participating in the plan will have the effect of increasing or decreasing the present value of the benefits of those plans.

No additional retirement benefits are offered to employees.

The present value of the defined-benefit obligation and the related cost of services rendered during the year and past services have been measured using the projected unit credit method.

The main assumptions used for the actuarial valuations are as follows:

Assumptions for Paragon ID SA		
	2020	2019
Collective agreement	Métallurgie Ingénieurs & Cadres (executive employees) and Métallurgie Alpes-Maritimes (non-executive employees).	
Departure age	Executive employees: 65, Non-executive employees: 62; voluntary departure	65, voluntary departure
Social security expense rate	45%	45%
Turnover rate	medium for executive employees and non-executive employees	medium for executive employees and non-executive employees; high for senior executives employees
Annual rate of wage increases	executive employees and non-executive employees: 1.5%	executive employees and non-executive employees: 1.5% senior executive employees: 3%
Mortality table	INSEE 2018	INSEE 2018
Discount rate	0.85%	0.6%

Assumptions for Paragon Identification SAS		
	2020	2019
Collective agreement	Printer (NAF Code 0184).	
Departure age	Executive employees: 65, Non-executive employees: 62; voluntary departure	63, voluntary departure
Social security expense rate	43%	43%
Turnover rate	2.6% - 0%, Specific by tranche	3% - 0%, Specific by tranche
Annual rate of wage increases	Engineers/ Executive employees: 1.5% Other Employment Security Contracts: 1.5%	Engineers/ Executive employees: 1.5% Other Employment Security Contracts: 2%
Mortality table	INSEE 2018	INSEE 2018
Discount rate	0.78%	0.67%

The cost of services rendered during the year and the net interest for the year are included in employee benefit expenses in net income. However, the revaluation of the defined-benefit liability when it is linked to actuarial assumptions is included in other comprehensive income.

The amounts recognised in net income and comprehensive income for these defined-benefit plans are as follows:

	12 months June 2020	12 months June 2019
<i>In thousands of euros</i>		
Cost of services rendered during the year	154	86
Financial expense related to the cost of services rendered	11	19
Partial liquidation of the plan as part of restructuring	-	(18)
Components of the cost of defined benefits recognised in net income	165	87
Revaluation of net defined benefit liability:		
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(134)	402
Components of the cost of defined benefits recognised in comprehensive income	(134)	489

	12 months June 2020	12 months June 2019
<i>In thousands of euros</i>		
Defined-benefit obligation at the beginning of the year	1,743	1,464
Consolidated during the financial year	-	-
Cost of services rendered during the year	154	86
Financial expenses	11	19
Partial liquidation of the plan as part of restructuring	-	(18)
Benefits paid	(14)	(210)
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(134)	402
Defined-benefit obligation at the end of the year	1,760	1,743

The Group's obligation has been revalued slightly upwards. The cost of services rendered and financial expenses were almost entirely offset by changes in assumptions and discount rates as presented in the statement of comprehensive income (€134 thousand).

Sensitivity to the various key assumptions had an immaterial impact on the Group's earnings.

7. OTHER OPERATING COSTS

The Group's other operating expenses break down as follows:

	12 months June 2020	12 months June 2019
<i>In thousands of euros</i>		
Transport	3,053	3,649
Fees	2,491	1,657
Leases	445	1,636
Maintenance	2,015	1,614
Insurance costs and charges	2,900	2,661

Travelling expenses	1,076	1,414
Others	3,389	2,286
Other operating costs	15,369	14,917

Fees include the cost of filing patents as well as the cost of certifying and qualifying the Group's sites.

The reduction in rental costs is mainly related to the implementation of IFRS 16, which led to the recognition of €1,283 thousand of rental costs in depreciation and impairment charges. In accordance with the new standard, the remaining rental costs presented within other operating expenses represent short-term leases (less than 12 months).

Other operating costs consist mainly of general sub-contracting.

8. OTHER NON-CURRENT INCOME AND EXPENSES

The Group presented part of its costs as non-current income and expenses due to the ongoing changes within the Group, which will transform the Group over the coming financial years:

- items whose non-recurring nature makes their future occurrence unlikely;
- items resulting from an unforeseeable event;
- items that do not fall within the scope of the Company's current operations.

For the two financial years presented, the breakdown is as follows:

	12 months	12 months
	June 2020	June 2019
<i>In thousands of euros</i>		
Redundancy costs (excluding the Employment Protection Plan)	1,008	1,496
Employment Protection Plan (<i>Plan Sauvegarde de l'emploi</i>)	-	10
Employment Protection Plan – reversals not covered by provisions	(45)	-
Losses related to the closure of production sites	-	232
Fees related to the closure and/or acquisition of subsidiaries	138	-
URSAAF-DGCCRF penalties	54	-
Labour and customer litigation costs	370	-
Costs of closing accounts following the acquisition of subsidiaries	52	-
Fees related to the legal reorganisation of French entities	-	179
Costs of unreplaced employees	1,320	607
Company real estate contribution (CFE) adjustment	-	114
Interim management support	55	62
Gain on acquisition of subsidiaries	-	(419)
Non-current income and expenses	2,952	2,281

- Redundancy costs (excluding the Employment Protection Plan) relate to redundancies within Group entities outside the framework of the Employment Protection Plan that affected 80 employees in the United Kingdom and 4 employees in France;
- Income related to the Employment Protection Plan (*Plan Sauvegarde de l'emploi*) refers to the plans announced in June 2017, which were updated during the financial year following the clarification and implementation of the plan;

- Fees related to the closure and/or acquisition of subsidiaries refer to the costs incurred in connection with the acquisition of Thames Card Technology described in Section 1.2.2 of this document;
- Interim management support is related to the use of interim staff during the past six months to compensate for the unexpected and forced absences of certain members of management who have since returned to the organisation or are in the process of being replaced.
- Labour and customer litigation costs are related to provisions created against ongoing disputes or payments made during the year to resolve historical disputes;
- The costs of unreplaced employees relate to the cost of employees who left the Group during the period without being replaced.

9. FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019
Interest on bank deposits		-
Other financial income	11	-
Financial income	11	-
Interest on leases	(122)	(20)
Interest on bank loans	(285)	(125)
Interest on factoring agreements	(354)	(334)
Other financial expenses	(1,595)	(1,508)
Financial expenses	(2,356)	(1,987)
Total financial income/(expenses)	(2,345)	(1,987)

Other financial expenses consist of interest on loans received from the Paragon Group, whose expense for the past year represented €1,582 thousand (June 2019: €1,418 thousand), most of which is related to convertible and non-convertible bonds attributed to Paragon, accounts receivable and bank charges.

10. INCOME TAX

The effective tax rates used for the year are as follows, depending on the country: France: 28% (2019: 28%); UK: 19% (2019: 19%); USA: 29.5% (2019: 29.5%); China: 25% (2019: 25%); Ireland: 12.5% (2019: 12.5%).

The tax expense/income for the period breaks down as follows:

	12 months	12 months
<i>In thousands of euros</i>	June 2020	June 2019

Current tax (income)/expense	(136)	283
Deferred tax (income)/expense	(540)	(561)
Income tax (income)/expense	(676)	(278)

The reduction in the current tax expense is related to the reduction in activity and therefore profit in many jurisdictions. The Company was therefore exposed to a reduced tax expense for its 2020 financial year.

Deferred tax income arises mainly from the reversal of deferred taxes recognised for the financial year from the allocation of the purchase price of Bemrose Booth Paragon.

It should be noted that the Group did not capitalise the additional tax losses available to Paragon ID SA, as the deferred taxes already recognised were reviewed and determined to be appropriate despite the fact that the Company still has a significant amount of tax loss carryforwards. PARAGON ID SA's tax losses before the Company was consolidated for tax purposes amounted to €86,834 thousand, and the cumulative tax losses of the tax consolidation group since the tax consolidation were €17,256 thousand for the financial year ended 30 June 2020.

Deferred Tax Assets

PARAGON ID SA

At 30 June 2019, PARAGON ID SA had recognised deferred tax assets amounting to €1,470 thousand, which correspond to the capitalisation of part of the tax loss carryforwards then available to the Company. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of a loss-making financial year in 2020, and on the basis of the tax consolidation of French legal structures, the Group has had to review the recoverability of these deferred taxes.

To do this, the Group first determined the taxable income of the tax consolidation group comprising Paragon Identification SAS and PARAGON ID SA for financial years 2021, 2022 and 2023 for which the loss carryforwards could be used.

The main assumptions used to determine this taxable income are as follows:

- An increase in income from ordinary activities ("revenues") of between -14% and +24% per annum through organic growth based on 2020 revenues (this measure is in line with the Group's growth ambitions) with a return to a pre-COVID level of activity in the second half of 2021;
- A continued restoration of margins as a result of the combination of (i) the Employment Protection Plan ("PSE"), (ii) the reduction of direct costs and general expenses through the reduction of the number of the Group's production sites and the regrouping of staff, (iii) the transfer of labour-intensive activities to the Group's low-cost production sites, (iv) the outsourcing of the production of entry-level products to industrial partners, and (v) the internal refocusing on higher value-added products.

On this basis, together with a 5% risk factor of not achieving some of its savings targets over the coming financial years, the Group has concluded that a prudent position would be not to recognise additional deferred tax assets.

AmaTech Group Ltd

At 30 June 2019, the Group had recognised deferred tax assets of €501 thousand, which corresponds to the capitalisation of part of the tax loss carryforwards then available to AmaTech Group Limited. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of a profitable financial year in 2020, the Group has confirmed the amount of deferred tax assets in conjunction with the amount of tax losses available to the company, which amounts to €4,032 thousand.

To do this, the Group first determined the taxable income of AmaTech Group Ltd for financial years 2021, 2022 and 2023 for which the loss carryforwards could be used.

The main assumptions used to determine this taxable income are as follows:

- The Group is limited to the profit that will be generated by the signature of the RFID metal technology licencing agreement, which is a five-year contract with a remaining life of four years, and which will generate profits of between €1.3 million per year according to the initial external customer estimates and €2.3 million per year according to the actual volumes recognised during the past financial year. Taking a cautious approach, the Group did not take other sources of profit into account in its analysis.

On this basis, the Group concluded that deferred tax assets covering the entire amount of tax losses should be recognised. As a result, €501 thousand in deferred taxes were recognised out of the potential €501 thousand.

Thames Technology Ltd

At 30 June 2020, Thames Technology Limited had tax losses amounting to £5,678 thousand. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of a profitable financial year in 2020 and the Group's projections for the coming years, the Group has confirmed the amount of deferred tax assets present at the time of the Group's acquisition of the company at £713 thousand out of a potential £1,079 thousand.

Deferred Tax Liabilities*Bemrose Booth Paragon*

At 30 June 2019, the Group had recognised deferred tax liabilities in the amount of €818 thousand, which correspond to the temporary differences created during the purchase price allocation exercise for BBP and its subsidiaries. These temporary differences are used during the life of the intangible assets with which they are associated, meaning that €137 thousand were used during the financial year.

Thames Technology Ltd

At 30 June 2020, the Group had recognised deferred tax liabilities in the amount of €268 thousand, which correspond to the temporary differences created during the purchase price allocation exercise for Thames.

Deferred Tax*Group Position*

As a result, the deferred taxes presented in the consolidated financial position are as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Deferred tax assets – balance at beginning of period	2,920	2,477
Result of acquisition	832	-
Partial capitalisation/(Utilisation) of deferred tax assets – Losses carried forward	-	501
Capitalisation/(Reversal) of deferred tax assets – Temporary difference impacting net income	141	(165)
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(38)	107
Deferred tax assets – balance at end of period	3,855	2,920
Deferred tax liabilities – balance at beginning of period	1,584	1,771
Result of acquisition	269	47
Use of deferred tax liabilities – Temporary difference impacting net income	(399)	(225)
Foreign exchange impact	(5)	(9)
Deferred tax liabilities – balance at end of period	1,449	1,584
Net deferred taxes – balance at beginning of period	1,336	706
Deferred tax resulting from acquisition	563	(47)
Partial capitalisation of deferred taxes – Losses carried forward	-	501
Use of deferred taxes – Temporary difference impacting net income	540	60
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(38)	107
Foreign exchange impact	5	9
Net deferred taxes – balance at end of period	2,406	1,336

11. EARNINGS PER SHARE

	12 months	12 months
<u>Earnings per share from continuing operations</u>	June 2020	June 2019
Basic (euro-cents per share)	(291.60)	(78.88)
Diluted (euro-cents per share)	(291.60)	(78.88)
<u>Earnings per share from discontinued operations</u>		
Basic (euro-cents per share)	(1.78)	(10.94)
Diluted (euro-cents per share)	(1.78)	(10.94)

11.1. Basic earnings per share

The following table presents the earnings and the weighted average number of ordinary shares used in

the calculation of basic earnings per share:

	12 months	12 months
	June 2020	June 2019
Earnings per share from continuing operations		
Earnings for the year attributed to the owners of the Company, in thousands of euros	(5,731)	(1,550)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,965	1,965
Earnings per share from discontinued operations		
Earnings for the year attributed to the owners of the Company, in thousands of euros	(35)	(215)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,965	1,965

During February 2020, the Group carried out (i) a €0.5 million capital increase through a private placement with the waiver of preferential subscription rights, and (ii) the conversion by Grenadier Holdings Plc. ("Grenadier"), of convertible bonds ("CBs") worth €10 million. Consequently, in accordance with IAS 33.64, earnings per share have been retrospectively adjusted to reflect these capital increases. Consequently, all equity items affected by these capital increases have been adjusted retrospectively.

11.2. Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are the same as those used in the calculation of basic earnings per share, as the instruments are non-dilutive.

12. GOODWILL AND INTANGIBLE ASSETS

12.1. Goodwill

The table below presents a breakdown of Goodwill:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Goodwill related to the consolidation of BBP	31,079	31,219
Goodwill related to the consolidation of ASK	18,208	18,208
Goodwill related to the consolidation of Burall	212	286
Goodwill related to the consolidation of Thames	567	-
Goodwill – balance at end of period	50,066	49,713

The changes presented between the two closings are due to exchange rate differences and the acquisition of Thames Card Technology during the financial year.

Goodwill is subject to an impairment test as soon as there are indications of impairment and at least once a year.

Goodwill acquired in business combinations is allocated at the time of acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. CGUs represent the lowest level of the Group at which the associated goodwill is controlled for internal management purposes and must not be larger than the operating segments determined in accordance with IFRS 8 (see Note 3).

The Group's CGUs cover the following activities:

- eID: all Passport and electronic driving licence development, production and marketing activities;
- Mass Transit: all development, production and marketing activities for products that facilitate the management of access to public transport (Dual Cards and Mobile Applications, Contactless cards, Contactless tickets, Magnetic ticket, Personalisation);
- Track And Trace: all activities for the development, production and marketing of products that facilitate the tracking of products and goods (Labels, RFID Tags, Product Services and Marketing);
- Payment: all production and product marketing activities for the banking industry and payment cards (Traditional Cards, Metal Cards, Technology Licencing).

In accordance with IAS 36 Impairment of Assets, the CGUs to which significant goodwill has been allocated are therefore as follows. The allocation was made on the basis of the relative value of the shares concerned:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
eID	1,375	1,414
Mass Transit	37,277	41,592
Traceability and Brand Protection	10,846	6,707
Payment	567	-
Goodwill – balance at end of period	50,066	49,713

Goodwill impairment tests

The impairment test consists of comparing the recoverable value of the Group's cash-generating units (CGUs) with the corresponding net assets (including goodwill). This recoverable value corresponds to the higher of the fair value and the value in use of the CGU in question.

If the recoverable value is less than the net book value, the difference is recognised as an impairment loss.

The Group reviews the book value of each CGU at least once a year or more frequently if there is an indication of impairment.

The cash flow forecasts used for the calculation of the recoverable value are taken from the strategic plans for the next three years that have been formally approved by the Board of Directors. Cash flows for a subsequent period are based on the assumptions underlying those plans. The perpetual growth rate and the discount rate used in creating the impairment tests are noted below.

A discounted value of future cash flows is calculated using a post-tax discount rate that represents the estimated average cost of capital after tax.

The discount rates applied are 12.4% (2019: 12.4%).

The operating income/revenue ratios applied vary from 8.7% to 19.2% depending on the CGU (2019: 6.5% to 17%).

The perpetual growth rates are based on the average European growth rate over the last three years of 1.2% (2019: 1.7%).

Key assumptions include Management's estimates of sales growth, the operating income/revenue ratio and discount rates. Cash flow forecasts and key assumptions are generally determined on the basis of historical performance as well as Management's expectations of future trends affecting the industry. No impairment was recognised in 2020.

No impairment of the goodwill tested would have to be recognised in the event of a reasonably possible change in each of the assumptions used at 30 June 2020.

<i>In percentage points</i>	eID	Mass Transit	Traceability and Brand Protection	Payment
Increase in the discount rate	+1	+1.9	+10.5	+70.3
Deterioration in the operating income/revenue ratio	-1.8	-0.4	-5.8	-15.2
Decrease in budgeted revenue growth	-13.7	-1.4	-11.9	-27.8

Following this review, the Group concluded that the recoverable values of the eID, Mass Transit, Traceability and Brand Protection and Payment CGUs exceeded their book value in the financial statements at 30 June 2020.

12.2. Intangible assets

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Net book values		
Development costs	1,608	926
Patents	1,863	2,136
Licences and Customer Contracts	6,015	6,182
Software	471	363
Others	2,688	1,909
Balance at end of period	12,645	11,516

<i>In thousands of euros</i>	Development costs	Patents	Licences and Customer Contracts	Software	Others	Total
Gross values						
Balance at 30 June 2018	4,413	2,760	9,829	903	1,641	19,549
Consolidated during the period	35	539	70	238	-	882
Acquisitions of fixed assets	-	-	6	45	328	379
Internally-generated fixed assets	701	-	-	-	-	701
Asset retirements	-	-	(384)	(5)	-	(389)
Effect of exchange rate impacts	-	-	(65)	(1)	-	(66)
Balance at 30 June 2019	5,149	3,299	9,456	1,180	1,969	21,053
Consolidated during the period	45		777	419	355	1,596
Acquisitions of fixed assets			975	95	627	1,697
Internally-generated fixed assets	1,339					1,339
Asset retirements			(1,781)	(276)		(2,057)
Effect of exchange rate impacts	(9)		(44)	(36)	(19)	(108)

Balance at 30 June 2020	6,524	3,299	9,383	1,382	2,932	23,520
Cumulative amortisation and impairment losses						
Balance at 30 June 2018	(3,902)	(888)	(1,919)	(721)	(60)	(7,488)
Consolidated during the period	-	-	(46)	-	-	(46)
Amortisation	(321)	(275)	(1,696)	(97)	-	(2,389)
Asset retirements	-	-	387	1	-	388
Balance at 30 June 2019	(4,223)	(1,163)	(3,274)	(817)	(60)	(9,537)
Consolidated during the period	(15)					(15)
Amortisation	(681)	(273)	(1,937)	(387)	(185)	(3,463)
Asset retirements			1,781	276		2,057
Effect of exchange rate impacts	3		62	17	1	83
Balance at 30 June 2020	(4,916)	(1,436)	(3,368)	(911)	(244)	(10,875)

For the financial year, the amount of capitalised research and development costs was €1,176 thousand (2019: €869 thousand). The increase is due mainly to the acquisition during the previous financial year of AmaTech Group Ltd, whose main activity is the development of its metallic RFID card technologies. The amount of research and development costs recognised as expenses amounted to €1,917 thousand for the financial year ended 30 June 2020 (as at 30 June 2019: €1,977 thousand).

At 30 June 2020, of the total capitalised development costs, €1,178 thousand were in assets in progress and not yet amortised, and of the total capitalised patents, €238 thousand were patent applications in progress and not yet amortised. All of its capitalised costs are included in the Others category above.

This category also includes the assets related to the brands acquired, mainly the brand capitalised when the fair value of the assets acquired from Thames Card Technology Ltd was measured, as described below.

For the measurement of the fair value of the assets and liabilities acquired from Thames Card Technology Ltd, the values of the brand and industrial software were analysed based on the future income expected to be generated by those assets existing at the acquisition date. This led the Group to recognise a value of £302 thousand for the brand and £391 thousand for the industrial software used by the company. The Group also valued its customer relationships at £661 thousand.

This was reflected at the acquisition date and had a positive impact on the value of intangible assets at 30 June 2020.

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE OF LEASED ASSETS

13.1. Property, plant and equipment

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Net book values		
Land and Buildings	323	182
Industrial Equipment	9,151	8,737
Furniture and Fittings	999	1,021
Computer Equipment	49	70
Others	6	6
Balance at end of period	10,528	10,016

<i>In thousands of euros</i>	Assets held					
	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Others	Total
Gross values						
Balance at 30 June 2018	456	38,995	1,103	1,122	15	41,692
Acquisitions of fixed assets	69	2,105	1,020	152	7	3,353
Consolidated during the period	220	3,611	34	42	-	3,907
Disposals of fixed assets	-	(2,004)	-	-	-	(2,004)
Asset retirements	-	-	-	-	-	-
Effect of exchange rate impacts	16	6	(8)	-	-	13
Balance at 30 June 2019	761	42,713	2,149	1,316	22	46,961
Acquisitions of fixed assets		1,196	207	55		1,458
Transfer to rights of use		(1,818)				(1,818)
Consolidated during the period	1,133	18,542	322	397		20,394
Disposals of fixed assets		(887)	(382)	(52)	(8)	(1,329)
Asset retirements		(390)				(390)
Effect of exchange rate impacts	(51)	(734)	(22)	(18)		(825)
Balance at 30 June 2020	1,843	58,622	2,274	1,698	14	64,451

<i>In thousands of euros</i>	Assets held					
	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Others	Total
Cumulative depreciation and impairment losses						
Balance at 30 June 2018	(456)	(31,029)	(293)	(1,089)	(7)	(32,875)
Cumulative depreciation on acquisition	(90)	(2,063)	(34)	(32)		(2,219)
Depreciation	(17)	(2,408)	(804)	(124)	(6)	(3,359)
Disposals of fixed assets	-	1,528	-	-	-	1,528
Asset retirements	-	-	-	-	-	-
Effect of exchange rate impacts	(16)	(4)	3	(1)	(3)	(21)
Balance at 30 June 2019	(579)	(33,976)	(1,128)	(1,246)	(16)	(36,945)
Cumulative depreciation on acquisition	(943)	(15,568)	(177)	(308)		(16,996)
Transfer to rights of use		877				877
Depreciation	(37)	(2,701)	(368)	(162)		(3,268)
Disposals of fixed assets		810	381	52	8	1,251
Asset retirements		435				435
Effect of exchange rate impacts	39	652	17	15		723
Balance at 30 June 2020	(1,520)	(49,471)	(1,275)	(1,649)	(8)	(53,923)

The increase in fixed assets is mainly due to the consolidation of €3,398 thousand in net assets, mainly industrial equipment, following the acquisition of Thames Technology during the year.

The gross value of fully depreciated property, plant and equipment at 30 June 2020 was €40,486 thousand (2019: €24,975 thousand).

13.2. Right of use of leased assets

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Net book values		
Land and Buildings	2,772	-
Industrial Equipment	1,264	-
Others	410	-
Balance at end of period	4,446	-

<i>In thousands of euros</i>	Assets related to rights of use of leased assets					
	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Others	Total
Gross values						
Balance at 30 June 2019	-	-	-	-	-	-
Impact of implementation of IFRS 16	2,801	380			586	3,767
Transfer from assets held		1,818				1,818
Consolidated during the period	791	328			15	1,134
Acquisitions of fixed assets		165			94	259
Resulting from the revaluation of assets	56					56
Disposals of fixed assets		(240)				(240)
Asset retirements						
Effect of exchange rate impacts	(63)	(31)			(10)	(104)
Balance at 30 June 2020	3,585	2,420			685	6,930
Cumulative depreciation and impairment losses						
Balance at 30 June 2019	-	-	-	-	-	-
Transfer from assets held		(877)				(877)
Consolidated during the period						
Depreciation	(811)	(535)			(277)	(1,623)
Resulting from the revaluation of assets	(17)					(17)
Disposals of fixed assets		240				240
Asset retirements						
Effect of exchange rate impacts	15	16			2	33
Balance at 30 June 2020	(813)	(1,156)			(275)	(2,484)

13.2.1 Liabilities related to the right of use of leased assets

In thousands of euros	30/06/19	Impact of IFRS 16	New Borrowings	Accrued Interest	Repayment	Entry into the Scope of Consolidation	30/06/20	Of which	
								Current Share	Non-Current Share
Lease liabilities		4,719	247	122	(1,833)	1,138	4,394	1,628	2,766

The increase in lease liabilities is the combination of (i) the consolidation of Thames Card Technology and (ii) the implementation of IFRS 16, which led to the recognition, on 1 July 2019, of an additional liability of €3.8 million on leases previously recognised as operating leases under IAS 17, to which the €0.9 million liability on finance leases, already recognised as liabilities under IAS 17, is added.

In thousands of euros	30/06/19
IAS 17 off-balance sheet commitments under operating leases at 30/06/2019	3,006
IAS 17 liabilities under finance leases at 30/06/2019	941
Exemptions applied to short-term leases and leases of low-value assets	(247)
Rents for optional periods	1,439
Payments for non-rental components	(203)
Discounting effect	(217)
Lease liabilities recognised as at 01/07/2019 following the implementation of IFRS16	3,778
Lease liabilities already recognised at 01/07/2019	941
Liabilities related to rights of use of leased assets	4,719

13.2.2 Reconciliation of assets and liabilities for rights of use

In thousands of euros	Impact of implementation of IFRS 16	Balance at 30/06/2020
Net Value of assets related to rights of use of leased assets	4,708	4,445
Accrued interest	11	(67)
Lease liabilities	4,719	4,378

14. INTERESTS IN JOINT VENTURES

14.1. I2PL

At 30 June 2020, the Group retained its 56.32% stake in the I2PL joint venture (India, Noida, New Delhi). At the end of 2012, the Group and its partner in I2PL decided to dissolve the company. The operational closure of I2PL has been effective since October 2014.

The company is consolidated in the Group's financial statements using the equity method. As the business was shut down, no income was generated for the financial year ended 30 June 2020. During October

2020, the Group learned that I2PL had been put into liquidation. The Group was then in discussion with its partner to finalise the legal closure of the company which had been initiated following the operational closure of the company in October 2014. The Group still believes that a value close to the value of the securities recognised at 30 June 2019 should be recovered once the liquidation process has been completed given the remaining balances owed by the company. However, the Group recognises that this new situation brings a degree of uncertainty and has therefore decided to increase the impairment of the joint venture's shares by €300 thousand to bring their value down to €308 thousand at the end of June 2020.

14.2. Airweb

On 12 November 2018, the Group acquired a 50% stake in Airweb SAS. This stake was acquired through the buyback of some or all of the shares of former shareholders and a capital increase in the company. This gives PID SA control of 50% of the shares and voting rights.

The amount of the investment breaks down as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Purchases of all or part of the shares of former shareholders	1,000	1,000
Capital increase at Airweb	1,139	1,139
Share in the net income of the joint venture		
- Previous year's results	(120)	-
- Current year's results	(293)	(120)
Interests in the Airweb SAS joint venture	1,726	2,019

15. SUBSIDIARIES

The following table presents a breakdown of the Group's subsidiaries:

Name of subsidiary	Main activity	Place of incorporation and operation	Percentage of interest and voting rights held by the Group		Change in scope of consolidation over the period
			30 June 20	30 June 19	
Paragon France SAS	Holding of securities	France, Cosnes sur Loire	N/A	100%	In line with IFRS 3, the company, although legally acquired since May 2017, is the acquirer for accounting purposes and is therefore the historical consolidation holding company. The company underwent a simplified merger by absorption by Paragon ID SA with retroactive effect from 1 July 2018.
Paragon Identification SAS	RFID products distribution and manufacturing	France, Argent sur Sauldre	100%	100%	In line with IFRS 3, the company is an historic subsidiary of the acquirer for accounting purposes and therefore fully

					consolidated within the historical consolidations.
Paragon Identification tech SAS	RFID products distribution and manufacturing	France, Argent sur Sauldre	100%	100%	The company has been dormant since its creation in May 2018 and has been fully consolidated since then.
Bemrose Booth Paragon Ltd	RFID products distribution and manufacturing	United Kingdom, Hull	100%	100%	The company has been fully consolidated since March 2017.
Paragon Magnadata Inc	RFID product distribution	USA	100%	100%	The company has been fully consolidated since March 2017.
Paragon Identification Pty Ltd	RFID product distribution	Australia	100%	100%	The company has been fully consolidated since March 2017.
Paragon Identification Srl	RFID products distribution and manufacturing	Romania, Otopeni	100%	100%	The company has been fully consolidated since March 2017.
Burral Infosmart Ltd	RFID products distribution and manufacturing	United Kingdom, Wisbech	100%	100%	The company has been fully consolidated since June 2017.
ASK Asia HK Ltd	Holding of securities	Hong Kong	100%	100%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
Beijing ASK Smart Technologies	Licensed distribution and manufacturing of ASK products	China, Miyun	100%	100%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
ASK IntTag LLC	Licensed distribution and manufacturing of ASK products	USA, Vermont	99%	99%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
AmaTech Group Ltd	RFID technology Research and Development & Licensing, RFID product distribution	Ireland, Spiddal	99.72%	98.59%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
AmaTech Feinics Teoranta	Patent-holding	Ireland, Spiddal	99.72%	98.59%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
AmaTech Precision GmbH	RFID products distribution and manufacturing, under voluntary liquidation	Germany	99.72%	98.59%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
AmaTech USA Inc	Licensing of AmaTech technologies	USA	99.72%	98.59%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
Thames Card Technology Ltd	RFID products distribution and manufacturing	United Kingdom, Rayleigh	100%	0%	The company has been fully consolidated since November 2019 and the acquisition of Thames by Bemrose Booth Paragon.

16. INVENTORIES

Inventories break down as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Materials	8,534	9,517
In progress	800	1,093
Finished and semi-finished products	4,111	3,745
Inventories	13,445	14,355

The reduction in inventories despite the consolidation of Thames Card Technology during the financial year is explained mainly by the reduction in activity linked to COVID, which led the Group to reduce its supplies of raw materials and production in progress. The increase in finished products is related to the fact that the Group produced certain July orders in advance during the month of June to manage its production capacity in the current context of reduced volume and partial activity utilisation.

The net amounts presented above include impairment of €1,274 thousand at 30 June 2020 (30 June 2019: €666 thousand) due to specific provisions for materials intended for certain products of the Group now dormant or in low demand (due to technological developments).

17. TRADE AND OTHER RECEIVABLES

17.1. Trade Receivables

The average credit period for product sales is 60 days.

Before accepting a new customer, the Group uses an external evaluation system to assess the quality of the potential customer. Credit conditions are reassessed on the basis of information provided by the external assessment system and payment history. The Group also has credit insurance coverage that guarantees the repayment of insured receivables in the event of default by the debtor. Insured receivables represent approximately 70% of the Company's trade receivables excluding related-party transactions and are remitted to the factoring company for financing. For the method of accounting for factored receivables, see Note 2.9.1 above.

The Group recognises a provision for expected credit losses; see Note 2.9.1.2 above for the method of recognising this provision.

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Trade receivables	10,445	10,599
Provision for expected credit loss	(634)	(248)
Trade receivables	9,811	10,351
Advance payments	1,213	1,059
Other debtors	5,464	6,125
Trade receivables and related accounts	16,488	17,535

17.2. Transfer of financial assets

17.2.1 Consolidating factoring agreement

The Group sold most of ASK IntTag's trade receivables to a factoring company.

If these are not recovered on the due date, the factoring company has the right to demand that the Group pays the outstanding portion. As the Group has not transferred the significant risks and rewards inherent in those trade receivables, it continues to recognise the full book value of the receivables offset by a loan.

At 30 June 2020, the book values of trade receivables sold and the related liabilities are detailed in the table below:

Receivables transferred to the factoring company under a consolidating factoring agreement		
<i>In thousands of euros</i>	30/06/2020	30/06/2019
Amount of receivables sold	16	142
Reserves and guarantees	(4)	(35)
Cash obtained	12	107

The reduction is explained by the fact that ASK IntTag had not sold a major part of its trade receivables at the end of June 2020, as the company was not in a situation of immediate cash need at that time.

17.2.2 Deconsolidating factoring agreement

The Group sold most of the trade receivables of Paragon ID SA, Paragon Identification SAS, Bemrose Booth Paragon Ltd and Thames Card Technology Ltd to a factoring company.

An analysis of the agreement with regard to the criteria of IFRS 9 allows us to conclude that almost all of the relevant risks were transferred to the factoring company, and the main elements of this analysis are summarised below:

- The transfer of rights to cash flows is evidenced by the fact that the claims are legally assigned (conventional subrogation);
- Transfer of risks and benefits:
 - Credit risk: The agreement is without recourse with regard to credit risk. The factoring company has no recourse against customers or, where applicable, against the centralising agent with respect to the risk of non-payment of the receivables transferred, except in certain specific cases that do not affect the transfer of credit risk.
 - Risk of delay: receivables are subject to a discount calculated on the date of sale on the basis of an observed DSO. Interest is firm and final and receivables are not definanced after a period of time except in the event of dilution. Through this firm and final discount, the risk of late payment is transferred completely to the factoring company.
 - Dilution risk:
 - This risk is retained by the assignor, as is the case in all factoring agreements. This risk is not, moreover, a risk of deterioration of the receivable but a risk of existence, which is traditionally excluded from analysis.
 - Receivables that are the subject of a serious commercial dispute are definanced after a grace period of 90 days and are sold back after 180 days if the serious

dispute is not resolved. In view of this grace period, it was considered that almost all of the definanced receivables corresponded to dilution events and that this mechanism had no impact on the assessment of the transfer of credit risk and risk of late payment.

- A 5% security deposit set up to cover the counterparty risk for these dilution events is not excessive and therefore has no impact on the risk of late payment discussed above.

The agreement taken out by the Group can therefore be described as a full factor agreement, insofar as the receivables are purchased directly by the factoring company, which accepts the risk associated with the receivables at the time of sale.

At 30 June 2020, the book values of trade receivables sold and the related reduction in receivables are detailed in the table below:

Receivables transferred to the factoring company under a deconsolidating factoring agreement		
<i>In thousands of euros</i>	30/06/2020	30/06/2019
Amount of receivables sold	12,524	15,677
Reserves and guarantees	(790)	(903)
Amount of deconsolidated receivables	11,734	14,774

17.3. Other receivables

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Taxes receivable	1,471	2,661
Grants receivable	1,773	1,751
Advance payments	1,213	1,059
Others	2,220	1,713
Trade receivables	6,677	7,184

Grants receivable mainly represent Research Tax Credit receivables. These receivables are recoverable by offsetting them against the current tax liability in France. If the tax credit is higher than the tax or if the company is loss-making, the remainder is set off against the tax payable for the following three years and, if applicable, refunded at the end of that period.

Other receivables mainly represent receivables still to be collected by Paragon ID SA from its former partner in the ASK TongFang joint venture. The Group is currently negotiating for the repayment of these balances.

18. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with banks, with bank overdrafts classified as current debt. At 30 June 2020, cash and cash equivalents as presented in the consolidated statement of cash flows may be reconciled to the

consolidated statement of financial position as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Cash	21,219	8,607
Cash equivalents	-	-
Sub-total Cash and cash equivalents (balance sheet)	21,219	8,607
Bank overdrafts	(5,843)	(4,826)
Cash and cash equivalents, net of overdrafts (TFT)	15,376	3,781

The net cash flow is largely explained by the fact that the Group took out a €15 million state-guaranteed loan in May 2020 to cover COVID-related risks. At the end of the financial year, the Group did not need to draw on these funds to meet its commitments to its suppliers.

19. SHARE CAPITAL

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Share capital	68,787	58,287
Share premium	60,887	60,853
Treasury shares	(188)	(222)
Issued capital	129,486	118,918

19.1. Number of shares and voting rights

	Number of shares	Share capital	Share premium	Treasury shares
	<i>In thousands of shares</i>	<i>In thousands of euros</i>		
Balance at 1 July 2018	1,665	58,287	60,853	(242)
Other capital increases	-	-	-	-
Issuance of equity warrants	-	-	-	-
Treasury shares	-	-	-	20
Balance at 30 June 2019	1,665	58,287	60,853	(222)
Balance at 1 July 2019	1,665	58,287	60,853	(222)
Other capital increases	300	10,500	(40)	-
Issuance of equity warrants	-	-	74	-
Treasury shares	-	-	-	34
Balance at 30 June 2020	1,965	68,787	60,887	(188)

Voting rights break down as follows:

<i>In thousands of shares</i>	30/06/2020	30/06/2019
Ordinary shares with single voting rights	1,888	1,588
Shares with double voting rights	77	77
Total number of shares	1,965	1,665

Voting rights before elimination of treasury shares	2,043	1,743
Treasury shares	(5)	(5)
Total number of voting rights	2,038	1,738

Shares with double voting rights are those that have been held for more than two years and are in registered form.

Treasury shares refer to shares held indirectly through the liquidity agreement with the brokerage firm Portzamparc, i.e. 894 shares at 30 June 2020. These shares do not have voting rights. The results of this liquidity agreement over the 12-month period are presented in the Group's management report.

19.2. Characteristics of financial instruments giving rights to capital

The financial instruments giving rights to Paragon ID's share capital consist of equity warrants (BSA).

At 30 June 2020, 196,500 equity warrants and free shares had been subscribed for and remained outstanding. They break down as follows:

<i>Number of shares</i>	Number of rights		Rate of conversion into shares	Conversion into number of shares		
	30/06/2020	30/06/2019		30/06/2020	Rate of conversion into shares	30/06/2019
BSA 2012	-	129,420	35.00	-	35.00	3,696
BSA 2012-3	-	91,340	35.00	-	35.00	2,606
BSA 2014-1	-	-	35.00	-	35.00	-
BSA 2015-1	151,000	151,000	35.00	4,311	35.00	4,311
BSA 2018-1	45,500	-	1.00	45,500	1.00	-
AGA 2018-1	16,900	-	1.00	16,900	1.00	-
Total	196,500	371,760		66,711		10,613
As a % of total shares in the Company				0.35%		0.89%

The change in outstanding equity warrants and free shares between 1 July 2019 and 30 June 2020 is as follows:

<i>In shares</i>	BSA 2012	BSA 2012-3	BSA 2014-1	BSA 2015-1	BSA 2018-1	AGA 2018-1	Total
Balance at 1 July 2018	129 420	91 340	147 268	151 000	-	-	519 028
Subscribed	-	-	-	-	-	-	-
Converted	-	-	-	-	-	-	-
Lapsed	-	-	(147 268)	-	-	-	(147 268)
Balance at 30 June 2019	129 420	91 340	-	151 000	-	-	371 760
Balance at 1 July 2019	129 420	91 340	-	151 000	-	-	371 760
Subscribed	-	-	-	-	45 500	16 900	62 400
Converted	-	-	-	-	-	-	-
Lapsed	(129 420)	(91 340)	-	-	-	-	(220 760)
Balance at 30 June 2020	-	-	-	151 000	45 500	16 900	213 400

19.2.1 Equity warrants issued in 2016

The Extraordinary General Meeting of 30 June 2015 delegated to the Board of Directors the authority to issue a maximum number of 180,000 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.

This delegation of authority was granted for a period of 18 months as from 30 June 2015.

On 7 November 2016, the Board of Directors issued 170,000 warrants to employees.

The main characteristics of this plan are set out below:

- Unit subscription price: €0.07723 per warrant;
- Exercise price: €1.54462 per warrant;
- Exercisable at any time, in whole or in part, in one or more instalments, from the issue date until 31 December 2025;
- Each group of 35 warrants gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2015-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date. The value of the equity warrants was recognised as an offset against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation.

19.2.2 Equity warrants issued in 2019

The Extraordinary General Meeting of 12 December 2018 delegated to the Board of Directors the authority to issue a maximum number of 51,250 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.

This delegation of authority was granted for a period of 18 months as from 12 December 2018.

On 9 and 30 July 2019, the Board of Directors issued 51,250 warrants to employees, of which 5,750 were subsequently cancelled before subscription.

The main characteristics of this plan are set out below:

- Unit subscription price: €1.75 per warrant;
- Exercise price: €33.25 per warrant;
- Exercisable in thirds over three years according to the conditions detailed in the following table;

Condition(s)	Proportion of warrants exercisable
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2020	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2021	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2022	33%
Total	100 %

- Each warrant gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2018-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date. The value of the equity warrants and AGAs was recognised as an offset against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation. The impact on employee costs of these instruments was €391 thousand for the financial year.

19.2.3 AGA issued in 2019

The equity warrants issued in 2019 were issued in addition to the free share allocation plan granted by the Board of Directors in its decisions of 12 December 2018, 9 July 2019 and 30 July 2019.

At the time of these decisions, the Board of Directors decided to grant a total of 16,900 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code.

The terms of the free share plans are as follows:

	AGA 0720	AGA 0121	AGA 0122
	Board of Directors meeting of 12 December 2018	Board of Directors meeting of 9 July 2019	Board of Directors meeting of 9 July 2019
Allocation decision			
Number of shares	1 216	12 600	3 084
End of vesting period	31 July 2020	31 January 2021	31 January 2022
End of holding period	31 July 2021	31 January 2022	31 January 2023
Proportion to be retained in registered form	10%	10%	10%

The impact on employee costs of these instruments was €181 thousand for the financial year.

20. FINANCIAL DEBT

The tables concerning financial debt below include the breakdown of lease liabilities:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Financial debt – current portion	16,822	14,631
Financial debt – non-current portion	45,464	40,470
Borrowings	62,286	55,101

Changes in financial debt can be explained as follows:

<i>In thousands of euros</i>	30/06/18	Impact of IFRS 16	New Borrowings	Accrued Interest	Repayment	Entry into the Scope of Consolidation	Entry into the Scope of Consolidation	30/06/19	Of which	
									Current Share	Non-Current Share
Bank overdrafts	2,736		2,086	-	-	4		4,826	4,826	-
Borrowings from:										
- related parties (Grenadier Holdings Plc)	34,161		13,135	1,338	(11,789)	1,907		38,752	6,846	31,906
- government	1,228		586	-	(486)	-		1,328	-	1,328
Bank borrowings	5,683		4,931	-	(1,467)	-		9,147	2,575	6,572
Receivables sold to factoring	4,503		-	-	(4,396)			107	107	-
Lease liabilities	1,274		-	-	(335)	2		941	277	664
Borrowings	49,585	-	20,738	1,338	(18,473)	1,913	-	55,101	14,631	40,470

<i>In thousands of euros</i>	30/06/19	Impact of IFRS 16	New Borrowings	Accrued Interest	Repayment	Entry into the Scope of Consolidation	Converted into shares	30/06/20	Of which	
									Current Share	Non-Current Share
Bank overdrafts	4,826		1,017					5,843	5,843	
Borrowings from:										
- related parties (Grenadier Holdings Plc)	38,752		3,767	491	(6,894)		(10,000)	26,116	5,854	20,262
- government	1,328		26		(290)			1,064		1,064
Bank borrowings	9,147		17,402		(2,842)	1,150		24,857	3,485	21,372
Receivables sold to factoring	107				(3,236)	3,141		12	12	
Liabilities from finance leases	941	(941)						-		
Lease liabilities		4,719	247	122	(1,833)	1,138		4,394	1,628	2,766
Borrowings	55,101	3,778	22,459	613	(15,095)	5,429	(10,000)	62,286	16,822	45,464

Borrowings from related parties refer to the €10 million in bonds (and related interest) granted by Paragon ID SA to Grenadier Holdings Plc, in accordance with the terms of the contribution agreement put in place for the merger between ASK and the identification division of the Paragon Group in April 2017.

An additional loan of €10.3 million was granted in 2019 by Grenadier Holdings to Paragon ID SA.

At 30 June 2020, the breakdown of related-party debt is as follows:

<i>In thousands of euros</i>	Interest rate	30/06/20	Current Share	Non-Current Share
Non-Convertible Bonds	4%	10,000		10,000
Long-Term Bullet Loan	5%	10,261		10,261
Other Borrowings	Miscellaneous	5,855	5,854	1
Related-party Borrowings		26,116	5,854	20,262

The Group also increased its use of bank overdrafts while remaining within their contractual limits, taking out new bank loans during the year, thus demonstrating the continued support of its banking partners.

The increase in bank borrowings is mainly explained by the Group's subscription to a State-guaranteed loan of €15 million in May 2020 to cover risks related to COVID-19. At the end of the financial year, the Group did not need to draw on these funds to meet its commitments to its suppliers.

Finally, the increase in lease liabilities is the combination of (i) the consolidation of Thames Card Technology and (ii) the implementation of IFRS 16 as illustrated in Section 13.2 of this document.

21. TRADE AND OTHER PAYABLES

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Trade payables	14,790	17,970
Related parties	6,987	5,152
Other Creditors	14,861	8,482
Trade and other payables	36,638	31,604

No interest is charged on trade payables during the 60-day period following the invoice date. The Group has established financial risk management policies to ensure that all creditors are paid within pre-established credit terms and conditions.

21.1. Other creditors

Other current liabilities break down as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Social security contributions	3,846	2,040
Paid leave and other employee benefits	3,126	2,012
Miscellaneous taxes	1,323	2,044
Advances and deposits received	3,700	1,765
Deferred income	570	452

Deferred consideration	2,130	-
Others	166	169
Other creditors	14,861	8,482

The increase in social security contributions is mainly due to the deferral of social security payments granted by governments (where jurisdictions so allowed) as part of measures to help companies to cope with the COVID-19 crisis.

The increase in advances and deposits received is mainly due to the fact that significant advances were received from certain customers for projects in progress. In addition, the consolidation of Thames also resulted in a further increase.

The increase in the deferred consideration is due to the recognition of the deferred consideration of €2,130 thousand on the acquisition of Thames during the past financial year.

22. OTHER CURRENT LIABILITIES

22.1. Provisions

The provisions created by the Group are as follows:

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Provisions for charges	676	218
Provision for restructuring	936	1,313
Provisions	1,612	1,531

<i>In thousands of euros</i>	Provisions for Charges	Provision for Restructuring	Total
Balance at 30 June 2018	614	2,211	2,825
Consolidated during the period			
Allowances	145	314	459
Utilisations	(546)	(1,212)	(1,758)
Reversals not applicable			
Effect of exchange rate impacts	5	-	5
Balance at 30 June 2019	218	1,313	1,531
Consolidated during the period	272	530	802
Allowances	190	671	861
Utilisations		(1,379)	(1,379)
Reversals not applicable		(178)	(178)
Effect of exchange rate impacts	(4)	(21)	(25)
Balance at 30 June 2020	676	936	1,612

The provision for restructuring includes:

- The provision recorded at the close of June 2017 following the announcement of the Mouans Sartoux Employment Protection Plan. This provision was updated at 30 June 2020 in line with the details of the plan and the options chosen by each employee affected;
- The provision for unoccupied space set aside in June 2017 in anticipation of the transfer of production located at Mouans Sartoux to Argent sur Sauldre and Bucharest and the relocation of

all remaining staff to a single site. This provision was revised during the year to take into account the implementation of the relocation of the Mougins and Mouans Sartoux staff on the Mouans Sartoux site. This provision will be used in the coming year;

- A provision relating to the restructuring within Thames initiated pre-acquisition;
- The charges for the period are related to the updating of the provisions mentioned above, as well as the recognition of a new provision related to the restructuring due to COVID-19 initiated in the United Kingdom and described in Section 1.2.5 of this document.

23. RISK MANAGEMENT POLICY

In the reporting year, the Group updated its risk mapping on the basis of the risk factors identified with the release of “Document E”, published by the French Financial Market Authority on 30 March 2017 under number E.17-010. These are presented under Section 3.1.4 “Risk Factors”.

In the process of this review, the Group confirmed the risks identified as well as its risk management policy which was considered appropriate.

In particular, the main types of risks are:

- Risks associated with the Company’s business, markets and products;
- Operational risks;
- Legal and regulatory risks;
- Financial risks.

As regards financial risks, the Group pursues an active risk management policy aimed at anticipating and controlling the risks associated with its business and international business as much as possible.

Financial risk management consists of analysing and mapping the financial risks inherent in the management of any activity, determining action plans to deal with them and deploying the necessary resources.

The Group’s financial risk management strategy is based on:

- a rigorous risk identification policy based on reporting, monitoring and internal control systems;
- a high-performance crisis management structure and tools to identify and handle the emergence of potential risks as quickly as possible.

The risks faced by the Group are of several types and are described in the following paragraphs.

23.1. Dilution risk

As part of its policy of motivating its managers and employees and to attract additional skills, the Company may in future issue or allocate shares or new financial instruments giving access to the Company’s share capital, which could result in additional, potentially significant, dilution for the Company’s current and future shareholders.

Since its inception, the Company has granted equity warrants (BSAs). At the date of this report, the exercise of its equity warrants and free shares would result in the creation of 66,711 new shares in the Company, generating a dilution of 0.34%.

23.2. Risks associated with the withdrawal of grants

As part of the financing of its R&D activity, the Group's policy is to use public grants, even if today this model has evolved towards obtaining interest-free loans from public or similar bodies. The grants received by the Company are mostly in the area of innovation, and as of the date of this report, none of these grants could be questioned on the basis of failure to meet performance criteria.

In the event that new grants are awarded to the Company, it cannot guarantee that these grants will not be called into question by the relevant organisations. Such a challenge, or amounts revised downwards, could adversely impact the Company's business, revenues, earnings and more generally its financial position.

23.3. Research Tax Credit risk

To finance its research activities, the Company has chosen to take advantage of the Research Tax Credit (*Crédit d'Impôt Recherche* or "CIR"). The CIR is a tax aid designed to encourage R&D efforts by companies. It is in the form of a tax credit calculated according to the R&D expenses incurred by the company.

Expenditures allocated to scientific and technical research, be it basic research, applied research or experimental development, are eligible for the CIR. No expenses may be deducted unless specifically allowed by law. They include, in particular, salaries and wages, depreciation of research equipment, technological oversight and intellectual property costs.

According to the rules of common law (the Company does not meet the Community definition of an SME), CIR debt is repayable at the end of a period of three years following the year in which the CIR debt was disbursed.

23.4. Market risks

23.4.1 Foreign exchange risks

The Group conducts transactions in US Dollars and Pounds Sterling. As such, it is exposed to the risk of fluctuations in the rates of those currencies, as analysed below:

<i>In thousands of USD</i>	30/06/2020
Accounts receivable	5,359
Loans to joint ventures	242
Cash value of receivables sold	-
Accounts payable	(6,261)
US dollar exposure	(660)
Difference in euros in the event of a 10% rise in the currency rate	(68)

<i>In thousands of GBP</i>	30/06/2020
Accounts receivable	1,635
Loans to joint ventures	-
Cash value of receivables sold	(2,605)
Accounts payable	(1,937)

GBP exposure	(2,907)
Difference in euros in the event of a 10% rise in the currency rate	290

23.4.2 Interest rate risks

Since the Company has taken out loans at indexed rates, an increase in interest rates would have an impact on the financial result.

For information purposes, the following table simulates the impact of a one-point increase in interest rates:

<i>In thousands of euros</i>	<1 year	<5 years	TOTAL
Impact on overdraft interest	50	-	50
Impact on factoring interest*	119	-	119
Difference in euros in the event of a 1% rise in interest rates	169	-	169

* The impact on factoring interest was calculated based on the average factoring debt during the 12-month financial year ended 30 June 2020.

23.5. Credit risks

The Group has a wide variety of customers, some of which (until now, a quite rare occurrence) are experiencing financial difficulties that could, if necessary, lead to their total insolvency. In particular, the Group's customers include a number of state and local authorities. In the event of a deterioration in the economic and macroeconomic situation, the Group could face an increasing number of customers in such difficulties, which could negatively impact the Group's earnings and cash flow.

The degree of exposure to counterparty risk is low in commercial activities due to the profile of the Group's customers and the procedures put in place when orders are taken (e.g. solvency reviews and requests for prepayments where applicable). Over the last five financial years, the Group has not recorded any doubtful receivables following a default by its customers, and all of its receivables are considered recoverable.

24. STATUTORY AUDITORS' FEES

<i>In thousands of euros</i>	Certification of annual financial statements	Other Services	Total
Saint-Germain Audit	68	4	72
EY	128	22	150
Statutory Auditors' fees	196	26	222

25. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Group and its subsidiaries that are related parties to the Group have been eliminated on consolidation and are not presented in this note. A breakdown of transactions between the Group and other related parties is presented below.

25.1. Related parties

The flows and balances for related parties are as follows:

25.1.1 Joint ventures

I2PL remains a joint venture as at 30 June 2020. As the company is in the process of closing, no transactions took place during the period.

The Group also acquired a 50% stake in Airweb during the period. In accordance with the commitments made at the time of the equity investment, a long-term loan of €361 thousand was granted to the company on the date the equity investment was finalised. This loan is included in Other financial assets in the consolidated statement of financial position.

The unpaid positions as at 30 June 2020 are as follows:

	Trade payables to related parties		Trade receivables from related parties		Financial receivables from related parties	
<i>In thousands of euros</i>	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
I2PL	2,037	2,037	753	753	-	-
Airweb	-	-	-	-	361	361
Amount due	2,037	2,037	753	753	361	361

25.1.2 Other related entities of the Paragon Group

The following table presents the significant transactions during the 12-month financial year ended 30 June 2020 between the entities of the division and the rest of the Paragon Group, as well as the remaining balances at 30 June 2020.

<i>In thousands of euros</i>	Assets	Liabilities	Income	Expenses
Paragon Customer Communications UK				
Sale of various Bemrose Booth products	45		288	
Sale of various Thames products	127		430	
Sale of various PISAS products	8		7	
Purchases of PCC services and products		682		
Paragon Group UK				
Sale of various Bemrose Booth products	2		3	
Sale of various Thames products	47		80	

Sale of various PGUK products		188		245
Paragon Transaction France				
Sale of PISAS products (customisation)	446		1,874	
Purchase of material and service (envelope stuffing)		23		1,150
Fleqs				
PISAS borrowings	13			
Sologne Routage				
Sale of PISAS products (customisation)	7		132	
Purchase of material and service (envelope stuffing)		15		
Rault Eppe				
Sale of PISAS products (customisation)	1	1		
D'Haussey				
Purchase of materials and services		15		
Paragon Romania Srl				
Purchase of materials and services		11		
Immobilière Paragon France				
PISAS buildings leases		437		220
Grenadier Holdings				
Non-convertible bonds		10,000		400
Convertible bonds		-		533
Bullet loan		10,261		513
Other loans and interest		5,417		138
Provision of services and licences		2,147		
Total	696	29,197	2,813	3,199

25.1.3 Current and former shareholders

The Group owes interest on various bonds to its current and former shareholders in the following amounts:

Interest on bonds	Amounts due to related parties	
	30/06/2020	30/06/2019
<i>In thousands of euros</i>		
EQUIMAX Investment Ltd	2	2
ACCESS SHIPPING Ltd	10	10
VESTER FINANCE	12	12
BLUESKY Ltd	1	1
LEIGNON	7	7
ADVENT PRIVATE EQUITY FUND IIA	14	14
ADVENT PRIVATE EQUITY FUND IIB	8	8

ADVENT PRIVATE EQUITY FUND IIC	12	12
ADVENT PRIVATE EQUITY FUND IID	3	3
ALTAMIR	14	14
APAX PARTNERS VI	224	224
EQUIMAX INVESTMENTS LTD	23	23
FCPR CL CAPITAL DEVELOPEMENT 1	54	54
IGLOBE PARTNER PTE LTD	22	22
SGAM AI FIP OPPORTUNITE	2	2
Borrowings from related parties	420	420

25.2. Executive compensation

The following table sets out the compensation of directors and other senior executives during the financial year (Chairman and Chief Executive Officer, who make up the Group's management bodies):

<i>In thousands of euros</i>	30/06/2020	30/06/2019
Short-term benefits	228	232
Long-term benefits	26	-
Payment in shares	228	-
Executive compensation	482	232

26. OFF-BALANCE SHEET COMMITMENTS

The Company's off-balance sheet commitments are summarised in the following table:

<i>in thousands of euros</i>	30/06/2020	30/06/2019
Endorsements and guarantees, of which:	3,139	3,112
Bank guarantees	-	20
Market and performance guarantees	3,139	3,092
First pledge on IntTag's assets to Summit Factor	12	10,451
Pledge on industrial equipment to banking partners	2,550	1,462
Pledge for the amount of bonds	10,000	20,600
Pledge for the amount of the bullet loan	10,261	10,261
Total Off-balance sheet commitments	25,962	45,886

The Company's off-balance sheet commitments still in force at the date of this report are as follows:

- As collateral for the US factoring contract with SUMMIT: first ranking pledge of ASK IntTag's assets;
- Paragon Identification SAS has obtained bank guarantees from its banking partners to guarantee its exports of goods to international markets in the amount of €3,139 thousand;
- Paragon Identification SAS has granted its banking partners pledges on a portion of its industrial equipment to guarantee loans in the amount of €2,550 thousand;

- Paragon ID SA granted Grenadier Holdings Plc pledges on the shares of its subsidiaries and holdings (PISAS and Airweb) to guarantee its loans and (non-convertible) bonds with its main shareholder.

27. POST-CLOSING EVENTS

Since the end of the reporting year the Group has announced a number of workforce-reduction programmes, similar to those implemented in the United Kingdom and Romania at the end of the 2020 financial year. These will focus on the Group's European and US teams. The purpose of these is to size the Group to enable it not only to handle the reduction in activity caused by COVID, but also to be stronger and more agile as it emerges from the crisis. The cost of these restructurings is still being assessed at the date of this report, and a provision will be included in the Group's financial statements once this estimate has been completed.

28. OTHER INFORMATION RELATING TO EXECUTIVE COMPENSATION

The following table indicates the specific conditions concerning the Chief Executive Officer of the Company:

	Start date of term of office	End date of term of office
Clem GARVEY	12 December 2018	At the end of the first meeting of the Board of Directors following the General Meeting called to approve the financial statements of the financial year ended 30 June 2020.
Employment contract	No	
Supplementary pension plan	No	
Indemnities or benefits due or likely to be due as a result of a termination or change in their functions	No indemnities will be payable to the Chief Executive Officer in the event of resignation. However, the Board of Directors has approved the purchase by the Company of a social security contribution insurance policy on behalf of its Chief Executive Officer, which is in the process of being put in place with an effective date of 1 January 2019.	
Indemnities relating to a non-competition clause	No indemnities relating to a non-competition clause shall be payable to the Chief Executive Officer.	