PARAGON ID

ANNUAL REPORT

Fiscal year 2020/21 ended June 30, 2021

This is a free translation into English of the Paragon ID Annual Financial Report 2020/21 issued in the French language.
It is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

Paragon ID

Public Limited Company (*Société Anonyme*) with a Capital of €69,270,355

Registered office: Les Aubépins, 18410 ARGENT-SUR-SAULDRE

Bourges Trade and Companies Register 413 967 159

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MANAGEMENT, GROUP MANAGEMENT AND CORPORATE GOVERNANCE REPORT FROM THE BOARD OF DIRECTORS TO THE GENERAL MEETING

Dear Shareholders,

We have convened this Ordinary and Extraordinary General Meeting in accordance with the Articles of Association and legal provisions in order to submit for your approval the company financial statements and consolidated financial statements for the financial year ended 30 June 2021.

PART I - MANAGEMENT REPORT

1. ANNUAL REPORT

1.1. COMPANY POSITION AND BUSINESS IN THE FINANCIAL YEAR ENDED 30 JUNE 2021

1.1.1. COMMERCIAL ACTIVITIES

The PID Group's annual consolidated revenues for the financial year ended 30 June 2021 stood at €83.9 million, a fall of €24 million compared with the financial year ended 30 June 2020.

The Group continued to be strongly affected by the Covid health crisis, which impacted the eID and Mass Transit business lines in particular, due to the closure of many borders around the world, a reduction in domestic travel and the drastic decrease in the use of public transport, caused by lockdowns imposed in several regions of the world, and in particular in Europe and the United States several times during the financial year.

The Traceability & Brand Protection business line, buoyed by the acquisition of new markets and the gradual return to more normative levels of industrial production thanks in particular to e-commerce, succeeded in increasing its revenues over the financial year. The RFID label activities and the multiple successes of the RFiD Discovery solution, for the tracking of medical and industrial equipment, have in particular driven its growth.

The Payment business line once again experienced significant growth throughout the financial year thanks to contactless payment cards, AmaTech licence revenues paid by metal payment card manufacturers, and the strong sales momentum for Thames Technology.

By geography,

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

The division recorded revenues of €43.8 million, i.e. approximately 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: Passports;

- Mass Transit: Mobile applications, Dual cards; Contactless cards; Contactless tickets; Magnetic tickets; Card customisation;
- Track and Trace: Labels; RFID tags; IT platform for real-time asset location tracking;
- Payment: Closed-loop payment cards.

The eID business line, through which the EMEA division offers passport products, was affected by the health crisis which resulted in the closure of many borders in the financial year.

The Mass Transit business line, which includes products intended for passenger transport, was also severely affected by the health crisis due to the reduction in the use of public transport in Europe. Given the vaccination coverage in Europe, it is likely that the return of users to public transport will enable cities to sell the volumes of tickets in stock during the next financial year. Production is expected to gradually return to to significant levels. The health crisis also led to an acceleration in the use of electronic transport tickets. The takeover on 1 November 2020 of the company airweb, leader in France in these solutions, places the Group in an ideal position on this promising offer.

The Track and Trace business line, which includes products for use in product traceability and brand protection, saw a stable financial year with a slight decline in traditional products, largely offset by the growth of RFID products for the retail and the luxury goods sectors. The slowdown in air transport had a negative impact on this business line with delayed rollouts and lower consumption of RFID baggage tags.

The Payment business line, which includes loyalty cards, gift cards and other types of cards enabling closed-loop payment, experienced a quiet financial year, in particular due to the closure of cinemas during the majority of the year, with subscription cards/prepaid cinema tickets representing a large part of the volumes of this business line for the EMEA division.

United Kingdom: 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 €29.9 million, i.e. approximately 36% of the Group's sales.

The revenues generated by the UK division are 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 and Marketing services;
- Payment: Traditional bank cards; Closed-loop payment cards; Gift cards and loyalty cards.

Mass Transit, which includes products intended for passenger transport, suffered from the effects of the health crisis during the financial year, which led to a reduction in traffic and passenger flows on public transport and in particular on trains on the UK rail networks and the underground rail systems of New York (magnetic tickets manufactured in the Hull plant), London and other major cities.

The Track and Trace business line, bringing together products used in product traceability and brand protection, achieved a good performance supported by the activities of RFiD Discovery (a computer platform enabling object location in real time) with the signing of numerous contracts with English hospitals. In addition, the acquisition at the end of the financial year of a stake in Apitrak, with which the Group had formed a partnership, in order to develop and round out the RFiD Discovery offer, should make it possible to extend the offer by deploying a platform in the Cloud and using a SaaS model, while opening new markets in France and elsewhere.

The Payment business line includes the design, manufacture, personalisation and distribution of payment cards, loyalty cards, gift cards and other types of cards used for closed-loop payments. This benefited from a scope effect, with the acquisition of Thames Technology having taken place during the previous financial year. However, the business line proved to be resilient to the effects of the health crisis and posted growth over the year, even without the scope effect, i.e. "organic" growth.

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

The division recorded revenues of €10.2 million, i.e. approximately 12% of the Group's sales.

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

- eID: Passports; Driving licences;
- Mass Transit: Mobile Applications; Contactless cards; Contactless tickets; Magnetic tickets; Personalisation;
- Payment: Traditional bank cards; Metal bank cards, Patent licences.

The eID business line, which includes Passport and Driving Licence products, suffered a sharp contraction over the year due to the health crisis. The US government was slow to lower its passport order volumes at the start of the health crisis but reduced its orders over the past financial year given the high level of its inventories. Electronic driving licences held up better and their production levels have remained virtually stable.

The Mass Transit business line, including products intended for transport, also experienced a sharp decline due to the health crisis, as in the EMEA and UK divisions.

The Payment business line, combining traditional and metal bank card products as well as patent licences, saw performance improve despite the health crisis, with technology licencing agreements continuing to underpin its business and generating €2.5 million in revenues over the year, the remainder being related to the supply of components for traditional bank cards.

1.1.2. INDUSTRIAL ACTIVITY

Fiscal year 2021 was marked by many challenges related to the health crisis and forced the Group to adapt to continue to serve customers, while protecting its employees. Given the decline in orders for our products for mass transport and passports, the Group carried out a reorganisation, reducing the number of employees on a long-term basis and making use of state aid such as furlough schemes whenever possible. Finally, the Group took advantage of this crisis to invest in new products, segments and R&D in order to be as prepared as possible for the end of the health crisis.

For the **EMEA** division, efforts focused on the optimisation of the production force and associated support functions at all its industrial sites (Bucharest and Argent-sur-Sauldre) in a context where volumes were greatly reduced over the course of the year. At the same time, the division also continued to invest in Research and Development in new high-potential offers, such as the design of a multi-support payment validator offer (ticket, cards, telephone, etc.) using the customer account management platform developed by the subsidiary airweb. Similarly, the ARC certification of inlay production sites and processes for the Retail market by Auburn University in the USA opens up new markets for the Group. This last project was completed at the end of the year with the installation of production equipment at the Argent-sur-Sauldre site, enabling the start of large-scale production of RFID labels for mass-market retailers.

For the **UK** division, activities focused on the creation of a production centre for contactless metal cards on the Thames Technology production site, with the support of Amatech teams and investment in new production equipment. The production processes and necessary accreditation (VISA/Mastercard) should be finalised during financial year 2021/22. At the Hull site, where the majority of production concerns tickets for British and American public transport, the production force and associated support functions have been adapted to the drop in demand due to lockdowns related to the health crisis. Lastly, the RFiD Discovery activity, which consists of selling an IT platform for real-time tracking of assets specifically equipped with a tracer (RFID/LBE/Wi-Fi, etc.), particularly in British hospitals, saw strong commercial development during the financial year and benefited from significant investments in Research and Development.

For the **US** division, most of the activity focused on the development of samples and the adaptation of industrial processes to be able to produce new passport/polycarbonate card/driving licence products and personalisation of transport tickets in response to new requests from existing or new customers. The division is also continuing its programme of automation of production processes and product quality inspection.

1.1.3. RESEARCH AND DEVELOPMENT ACTIVITY

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

- Continue our development, which will make it possible to integrate our technologies into polycarbonate cards, in particular for the eID markets;
- Develop the airweb mobile ticketing platform for public transport, adding new services and functionalities;
- Continue to develop a reader for the transport network to validate all 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;
- Continue to develop a new RFID label offering for the retail and ready-to-wear sectors.

1.1.4. SUBSIDIARIES

N/A.

1.1.5. TAKEOVERS DURING THE FINANCIAL YEAR ENDED 30 JUNE 2021

1.1.5.1. TAKEOVER OF AIRWEB

On 4 November 2020, Paragon ID SA strengthened its investment in its airweb joint venture, acquiring an additional 30% of the company's share capital to raise its percentage of ownership to 80% and thus obtain control.

airweb is a leading French company in digital sales of transport tickets, and publishes mobile and digital solutions. airweb's teams are specialised in iOS and Android applications based on flexible technology. Developed in 2015, the airweb digital solution, which offers public transport users a complete solution for mobile ticketing and passenger information, has been successfully marketed since 2016 and chosen by around 100 local authorities. In 2018, airweb launched tixiPASS, a standardised and scalable ticketing solution derived from its original platform, for an interoperable public transport solution offering with minimal deployment cost.

This transaction is a major opportunity for the Group to strengthen its offering for its public transport customers in the form of a forward-looking product, which comprises the most comprehensive and scalable mobile ticketing platform on the market. This takeover also facilitates the development of Paragon ID's new "Open" offering, built on the foundation of the airweb platform. With this offer, Paragon ID is positioning itself as a subcontractor for all the ticketing systems of an operator or a city, by providing them with IT platforms, validators, ticket machines or cards (if necessary) as well as the mobile ticketing solution and any other ticketing media chosen by customers.

1.1.5.2. TAKEOVER OF APITRAK

On 21 May 2021, Paragon ID SA acquired 51.3% of the securities of Apitrak SAS, thus obtaining control of this company. It also signed an agreement setting out the purchase conditions for the remaining company securities through an option mechanism.

Apitrak is a French start-up specialising in Real-time locating systems (RTLS) using a wide range of technologies, in particular active and passive RFID, Bluetooth Low Energy (BLE), Wi-Fi and GPS.

Thanks to its RFiD Discovery solution, Paragon ID is already the leader in the hospital sector in the United Kingdom in the tracking of critical equipment, personnel and patient protection, in National Health Service (NHS) hospitals in particular, as well as in several large industrial companies.

Founded in 2016, Apitrak entered into a partnership with Paragon ID last year, through the signing of a technological and commercial agreement to jointly develop and offer real-time locating solutions, hosted in the cloud.

During the year ended, the success of this partnership already led to the implementation of several systems combining the best functionalities available in the RFiD Discovery and Apitrak solutions. The “multi-technology” IoT (Internet of things) platform has already been adopted by industrial and logistics companies, in medical and manufacturing environments, in both France and the United Kingdom.

This operation constitutes a major opportunity for the Group to enhance its real-time geo-localisation product range in France.

1.1.6. KEY EVENTS

1.1.6.1. EFFECTIVE ISSUE OF FREE SHARES ALLOCATED BY THE COMPANY AND THE RESULTING CAPITAL INCREASE

The Board of Directors, at its meeting of 26 March 2021, noted the definitive completion of the capital increase resulting from the definitive vesting:
- in accordance with the decision of the Board of Directors of 9 July 2019, of 1,216 free shares granted to their beneficiary and definitively vested since 1 August 2020;
- in accordance with the decision of the Board of Directors of 12 December 2018, of 12,600 free shares granted to their beneficiary and definitively vested since 1 February 2021, it being specified that these shares will be freely tradable from 1 February 2022.

The Board of Directors accordingly noted that:
- the capital increase resulting from the definitive vesting of the aforementioned free shares will be paid up by incorporation, in the share capital account, of the corresponding amounts taken from the Company’s reserve and share premium accounts;
- each share thus issued is issued at a unit price of thirty-five (35) euros, i.e. a total capital increase of €483,560 through the issue of 13,816 new ordinary shares.

1.2. PRESENTATION OF PARAGON ID SA INDIVIDUAL FINANCIAL STATEMENTS

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 €(3,924) thousand in this financial year versus a loss of €(3,740) thousand in the previous financial year.

- Revenues stood at €10,368 thousand versus €21,250 thousand in the previous financial year.

- Total operating income was €11,345 thousand versus €22,254 thousand in the previous financial year.

- Operating expenses were €(14,456) thousand versus €(24,566) thousand in the previous financial year.

- The Company made an operating loss of €(3,111) thousand compared with €(2,312) thousand in the previous year, including:

    - €(4,003) thousand in wages and salaries versus €(3,974) thousand in the previous financial year;
    - €(1,543) thousand in social security charges versus €(1,836) thousand in the previous financial year.

- Net finance income amounted to an expense of €(274) thousand versus an expense of €(1,626) thousand in the previous financial year, comprising mainly interest on the 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 €(320) thousand were incurred versus €(60) thousand in 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 ended 30 June 2021.

1.3. ALLOCATION OF THE INDIVIDUAL INCOME OF PARAGON ID SA

In accordance with the law and our Articles of Association, the General Meeting is asked to allocate the results from the financial year ended 30 June 2021, in this case totalling a loss of €(3,924,377), to "Retained Earnings" whose negative balance will thus increase from €(44,220,554) to €(48,144,931).

In light of this allocation, the Company's equity will total €81,224,666 following the capital increase of €483,560 during the financial year.

1.4. TABLE OF THE COMPANY'S RESULTS FOR 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.

1.5. AMOUNT OF LOANS OF LESS THAN TWO YEARS GRANTED TO COMPANIES WITH WHICH THE COMPANY HAS ECONOMIC TIES JUSTIFYING SUCH LOANS

N/A.

1.6. 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, these break down as follows, as of 30 June 2021:

- In the case of suppliers, 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, 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.

Factures reçues et émises non réglées à la date de clôture de l'exercice dont le terme est échu (tableau prévu au I de l'article D. 441-4)

en milliers d'euros	Article D. 441 I.-1° : Factures *reçues* non réglées à la date de clôture de l'exercice dont le terme est échu						Article D. 441 I.-2° : Factures *émises* non réglées à la date de clôture de l'exercice dont le terme est échu					
	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)
(A) Tranches de retard de paiement												
Nombre de factures concernées						942	7					78
Montant total des factures concernées TTC	1,799	326	19	108	689	1,141	35	102	127	293	496	1,018
Pourcentage du montant total des achats de l'exercice TTC	17%	3%	0%	1%	7%	11%						
Pourcentage du chiffre d'affaires de l'exercice TTC							0%	1%	1%	2%	4%	8%
(B) factures exclues du (A) relatives à des dettes et créances litigieuses ou non comptabilisées												
Nombre de factures exclues	228						67					
Montant total des factures exclues TTC	2201						5039					
(C) délais de paiement de référence utilisés (contractuel ou délai légal - article L. 441-6 ou article L. 443-1 du code de commerce)												
Délais de paiement utilisés pour le calcul des retards de paiement	délais de paiement contractuels						délais de paiement contractuels					

Invoices received and issued but not paid at the closing date of the financial year, which are past due (Table provided for in Article D. 441-4, par. 1)

In thousands of euros	Article D. 441 l.-1: Invoices *received* but not paid at the closing date of the financial year, which are past due						Article D. 441 l.-2: Invoices *issued* but not paid at the closing date of the financial year, which are past due					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)	0 days (indicative)	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						942	7					78
Total amount of invoices affected inclusive of tax	1,799	326	19	108	689	1,141	35	102	127	293	496	1,018
Percentage of revenues for the financial year inclusive of tax	17%	3%	0%	1%	7%	11%						
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and receivables												
Number of invoices excluded	228						67					
Total amount of the invoices excluded inclusive of tax	2,201						5,039					
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					

1.7. 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.

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

- ASK IntTag (USA)

The company is 99%-owned by 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 electronic components for US passports for the Government Printing Office (GPO) as well as Driving Licences for a number of US states.

In the past financial year, the subsidiary reported a loss of €(301) thousand and €5,746 thousand in revenues (before intercompany eliminations).

- ASK ASIA HK Limited (HONG KONG)

ASK ASIA HK Ltd is a holding company whose sole activity is holding equity securities in ASK Smart (in China). 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 passport production centre 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 €(24) 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 2021, the subsidiary reported €(575) thousand in losses and €37,963 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 2021, the subsidiary reported €(304) thousand in losses and €2,100 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 financial year ended 30 June 2021, the subsidiary reported pre-tax losses of €(1,170) thousand and €12,858 thousand in revenues (before intercompany eliminations).

- Burrall Infosmart Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. This previously dormant subsidiary was reactivated during the year with the contribution of part of the activities of a subsidiary of the Paragon Group producing labels for the airline industry as well as transport carriers and logistics specialists.

In the financial year ended 30 June 2021, the subsidiary reported pre-tax profits of €9 thousand and €986 thousand in revenues (before intercompany eliminations).

- Magnadata USA Inc (USA)

The company is wholly-owned by Bemrose Booth Paragon Ltd, and distributes 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 2021, the subsidiary reported pre-tax losses of €(195) thousand and €973 thousand in revenues (before intercompany eliminations).

- Paragon Identification Pty Ltd (Australia)

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

In the financial year ended 30 June 2021, the subsidiary reported €(87) thousand in losses and €115 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 2021, the subsidiary reported pre-tax profits of €1,869 thousand and €4,494 thousand in revenues (before intercompany eliminations).

- AmaTech Feincis Teoranta (Ireland)

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

- Thames Card Technology Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. It is based 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 2021, the subsidiary reported pre-tax profits of €408 thousand and €16,264 thousand in revenues (before intercompany eliminations).

1.7.2. ACQUISITION DURING THE FINANCIAL YEAR

- airweb (France)

The company is 80%-owned by Paragon ID SA. It is based in Saint Cloud (France). The company's activity is focused on the development of mobile and digital solutions for the electronic sale of transport tickets.

In the financial year ended 30 June 2021, the subsidiary reported €(338) thousand in losses and €988 thousand in revenues (before intercompany eliminations).

- Apitrak (France)

The company is 51.3%-owned by Paragon ID SA. It is based in Meylan (France) The Company's activity is focused on the development of Real-time locating systems (RTLS) for assets, using a wide range of technologies, and in particular active and passive RFID, Bluetooth Low Energy (BLE), Wi-Fi and GPS.

In the financial year ended 30 June 2021, the subsidiary reported €(29) thousand in losses and €3 thousand in revenues (before intercompany eliminations).

1.7.3. ACTIVITY OF SUBSIDIARIES ACQUIRED DURING THE YEAR:

N/A.

1.8. PRESENTATION OF THE 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 2021 compared with a 12-month period ended 30 June 2020. More detailed explanations and information are given in the notes to the consolidated financial statements.

As of the end of 2021, the consolidated revenues of the PID Group totalled €84 million, versus €108 million in 2020. A breakdown of sales figures is provided in Part 1 of this report.

Operating profit before depreciation, amortisation, impairment and non-recurring items totalled €5.5 million, versus €7.9 million in 2020. The change is mainly due to the decrease in revenue between the two periods caused by a reduction in the size of the market due to the health crisis. The Group has endeavoured to reduce its fixed costs as much as possible to minimise the impact of the decline in revenues, while continuing to develop in its strategic areas to be in the best position to emerge from the crisis.

As a reminder, the cost reduction actions taken following the onset of Covid include:

- An immediate suspension of the use of temporary staff;
- Use of wage subsidy and furlough schemes where possible;
- Redundancy procedures for a number of employees, particularly in the United Kingdom and Romania;
- Suspension of certain marketing actions.

The strategic development actions implemented by the Group:

- The development of the mobile ticketing offer and PaaS for public transport;
- The development of the real-time asset location offering and product traceability;
- The continuous development of the metal payment card offer for which the Group holds the key patents.

The Group considers that the cost reduction actions implemented to resize the Group to the new "Covid" reality, coupled with the development and growth actions on high value-added offers implemented during the financial year, put the Group in an ideal position to enable it to generate a margin rate above 10% once the Covid crisis has passed.

Non-current expenses stood at €2.1 million, versus €3 million in 2020. These consist mainly of costs incurred for redundancies, in order to reduce the workforce, following the emergence of Covid.

The increase in depreciation, amortisation and impairment charges from €8.4 million over the previous year to €8.6 million this year, is mainly due to the addition of airweb assets to the Group.

After accounting for non-recurring items and net amortisation/depreciation and provisions, the result is an operating loss of €(5.1) million in the 2021 financial year, versus an operating loss of €(3.5) million in the previous financial year.

Net finance income amounted to an expense of €(1.2) million, versus €(2.3) million in 2020. This deterioration is mainly due to the conversion of the convertible bonds of Grenadier Holdings during the previous financial year, which resulted in the extinguishing of the related interest expense.

Activities resulted in a net loss of €(5.6) million in 2021, versus €(5.7) million in 2020. It should be noted that the ASK Smart subsidiary reported losses totalling €(19) thousand, versus €(35) thousand in 2020 and has been classified in discontinued operations since 30 June 2019.

As of 30 June 2021, the Group had equity capital of €27.4 million, compared with €31.5 million as of 30 June 2020 due to the loss for the financial year.

Financial debt went from €62.3 million at the end of 2020 to €61.6 million at the end of 2021.

The Statutory Auditors will present their report on the consolidated financial statements for the financial year ended 30 June 2021.

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.

1.9. KEY EVENTS SINCE THE END OF THE FINANCIAL YEAR

1.9.1. ACQUISITION OF SECURITY LABEL

On 1 July 2021, Paragon ID SA acquired 93% of the securities of Security Label GmbH, thus obtaining control of this company. It also signed an agreement setting out the purchase conditions for the remaining company securities through an option mechanism.

Security Label is a German company founded in 1990 by the Von Wedekind family. It has become a global reference and the leader in the EMEA market in the design and manufacture of baggage tags for airlines. The company offers its customers a wide range of products for check-in, tagging (standard and RFID) and baggage tracking.

As part of its resolution 753, IATA supports the global rollout of baggage tracking using RFID chips and antenna. Airlines have made a commitment over the next few years - and some have already begun - to transition from their standard baggage tags to tags equipped with RFID devices.

The industrial reputation of Security Label, its close relationships with its customers, and Paragon ID’s expertise in RFID technologies, will combine to enable the Group to accelerate its development in this sector. In the medium term, as RFID labels are gradually adopted by airlines, Paragon ID aims to become the leading RFID baggage tag company worldwide for air transport.

1.9.2. ACQUISITION OF THE ACTIVITIES AND ASSETS OF ELECTRONIC DATA MAGNETICS

On 20 September 2021, Paragon ID SA acquired, through new entities in the United States, the activities and assets of the American company Electronic Data Magnetics Inc. (EDM).

Founded in 1983 by the Hallman family, EDM has become the leading American manufacturer of tickets for the public transport market.

EDM manufactures and sells magnetic and RFID cards and tickets, and provides transport ticket pre-encoding and programming services from its industrial site in High Point (North Carolina). EDM supplies the main public transport operators in the US, as well as airlines, car park operators, etc.

EDM's customers include nearly two-thirds of the transport operators and authorities in the US, including the cities of Boston, Chicago, New York, Philadelphia, Portland, etc.

Prior to the pandemic, EDM generated positive annual revenues of more than US$15 million, however its activity saw a 75% drop due to the closure and reduced passenger flows of public transport systems over the last 18 months. These major impacts led the company to file for protection under the US Chapter 11 bankruptcy law in April 2021.

Paragon ID expects a gradual recovery in the company's activity to a normalised level over the next two financial years, while making the necessary current investments to support this return to growth.

1.10. OUTLOOK AND FUTURE PROSPECTS

Given the immunisation coverage in developed countries and the trends in developing countries, it is likely that a gradual return to a normalised situation will occur during the financial year 2021/22. Paragon ID intends to capitalise on the way out of the crisis and on the many major successes achieved in recent months by all its divisions to return to sustainable growth.

The Group's ability to continue as a going concern over the next 12 months depends on the continued support of its main shareholder in the financing of the Group's development focuses, particularly in terms of deferred payments in the context of recent acquisitions.

The main shareholder will continue to support the Group financially over the next 12 months, as well as in terms of human resources, as it has done since its takeover.

For the eID business line:

The increase in international travel in the coming months, combined with the large orders won by Paragon ID for the supply of electronic passport covers from the second half of the 2021 calendar year, make it possible to aim for a return to growth in this business line for the full year 2021/22.

For the Mass Transit business line:
The gradual increase in passenger traffic over the coming months combined with (i) the winning in 2021 of several tenders for the supply of transport tickets (tickets and cards) across the Atlantic (Boston, Montreal, etc.), (ii) the ramp-up of airweb's SaaS platforms, and (iii) the adoption of new "contactless" offers by Paragon ID's Mass Transit customers, make it possible to envisage a return to growth in this business line at the end of 2021/22, while continuing to suffer from the drastic impact of the pandemic.

For the Track and Trace business line:
Traceability activities are expected to grow thanks in particular to the acquisition of a majority stake in the French company Apitrak, a SaaS platform for applications used for tracking assets, goods and equipment, inventory management and personal protection, etc. concluded in May 2021 and the acquisition on 1 July 2021 of the German company Security Label, the European leader in baggage tags for airlines. These should amplify the gradual acceleration of the growth of this business line in 2021/22, in view of the increasing needs as countries emerge from the crisis.

For the Payment business line:
The growing boom in metal payment cards, generating licence revenue from AmaTech technologies, as well as the launch of the in-house manufacturing of metal cards by Thames Technology, should continue to support the dynamic development of this division in 2021/22.

In 2021/22, Paragon ID intends to return to growth and strengthen its profitability.

This means simultaneously:

- 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;
- Developing the distribution of its real-time asset locating offering;
- 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 Technology.

1.11. MAIN RISKS AND UNCERTAINTIES

The Company carried out a detailed and comprehensive update of its risk factors during the preparation of its registration document, filed with the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*) on 22 March 2021 under number R. 21-004. They are presented in Chapter 3 "Risk factors" of said document.

1.12. 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 2021.

Employee shareholdings account for 0.52% of share capital.

As of 30 June 2021, 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 General Meeting of any transactions by the Company or affiliated companies to allocate stock options to employees or executives of the Company and related companies.

Since neither the Company nor affiliated companies allocated stock options to employees or executives, 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 General Meeting of any transactions by the Company 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.

Neither the Company nor the affiliated companies allocated any free shares during the financial year ended 30 June 2021. The report provided for by the aforementioned texts is attached to this report and provides follow-up on the free shares previously allocated.

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. 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.

2.2. 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.

2.3. 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. The Disclosure Committee ensures that all relevant information is communicated to the market; it systematically reviews all press releases in accordance with its role described in paragraph 4.1.8 of this document. 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.

2.4. RISK IDENTIFICATION AND ANALYSIS

The main types of risks are divided into five categories:

In particular, the main types of risks are:

- Risks related to the Company's activities;
- Risks related to the Company's organisation and key employees;
- Market risks;
- Financial risks;
- Exceptional events and disputes.

2.5. CONTROL ACTIVITIES

2.5.1. THE MAIN PROCEDURES ESTABLISHED 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

2.5.2. PROCEDURES RELATED TO OPERATIONAL PROCESS

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. Staff hires and departures 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.

2.5.3. 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 ("Business Review") with General Management.
The Group also produces regular reports for the Board of Directors.

Financial statements

The production, processing and communication of financial information published under French GAAP and IFRS are internalised.
Each year, General Management and the Finance Department analyse the new IFRS standards and their potential impact on the financial statements.

Cash

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.

2.6. 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.

2.7. REVIEW OF ACTIONS TAKEN DURING THE YEAR

Over financial year 2020/2021, the Group and the Company continued to strengthen their accounting and financial teams, under the leadership of its new Chief Financial Officer, Sébastien Chavigny.

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. The company has thus rolled out a new accounting system to replace the previous system and harmonise it with the system used by its subsidiary Paragon Identification SAS. This makes it possible to consolidate the processes within a more integrated French financial team while facilitating the analysis of the overall performance of this region. The new system is secure and modern and the data was migrated from the old system without difficulty.

2.8. AREAS FOR IMPROVEMENT AND DEVELOPMENT PROSPECTS

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.

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

N/A.

2.10. SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

The Company has produced a non-financial performance statement 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. This Corporate Governance Code is available on the Middlenext website.

The Board of Directors took note of the very recent revision of the Middlenext Code and will ensure the gradual implementation of its recommendations.

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.

Responsibility for general management is assumed either by 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 General Meeting called to approve the financial statements for the financial year ended 30 June 2020. At its meeting of 10 December 2020, the Board renewed the term of Clément Garvey as Chief Executive Officer for an indefinite period.

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 General Meetings and the Board of Directors.

Moreover, at its meeting on 10 December 2020, the Board of Directors modified the limitations on the powers of the Chief Executive Officer introduced at the meeting of 30 May 2017. These limitations are as follows:

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)
Hiring and dismissal of employees at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer, whose gross annual salary including employer contributions is greater than	One hundred thousand euros (€100,000)
Changes in salaries at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer by a gross annual amount including employer contributions greater than	Twenty thousand euros (€20,000) or Two (2)% in the case of collective bargaining
Allocation of special awards or bonuses to any employee at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer of a gross annual amount including employer contributions greater than	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 CEO

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	Chairperson	28 April 2017 (first term of office as director)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Chairman of the Board of Directors
Clement Garvey	Chief Executive Officer (not on the Board)	12 December 2018	Unlimited	Chief Executive Officer

3.1.4. COMPOSITION AND FUNCTIONS OF THE BOARD OF DIRECTORS

3.1.4.1. 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 General Meeting on 27 April 2017 (5th resolution). Terms of office end following the Ordinary General 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 General Meeting called to approve the financial statements for the financial year ending 30 June 2022.

As of 30 June 2021, 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 General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member of the Appointments and Compensation Committee Member of the Disclosure Committee
Valery Huot, representing LBO France Gestion	Director	Reappointed on 12 December 2018 (First appointed: 22 July 2005)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member of the Audit Committee Member of the Appointments and Compensation Committee
Elisabeth 'Lis' Iceton	Director	28 April 2017 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member of the Audit Committee
Dominique Durant des Aulnois	Director	28 April 2017 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Secretary-General Member of the Audit Committee Member of the Appointments and Compensation Committee Member of the Disclosure Committee
Laurent Salmon	Director	12 December 2018 (first term)	Following the General Meeting called to approve	N/A.

			the financial statements for the financial year ending 30 June 2022	
Alyna Wnukowsky	Director	12 December 2018 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	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 General Meeting called to approve the financial statements for the financial year ended 30 June 2022, to be held in 2022.

3.1.5. 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 General 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 2021.

3.1.6. 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.

3.1.7. MISSIONS OF THE BOARD OF DIRECTORS

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 General 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.

3.1.8. INDEPENDENCE OF BOARD MEMBERS

At its meeting on 22 October 2021, the Board of Directors reviewed the position of directors in respect of the independence criteria defined by the Middlenext Code and adopted by the Company in the Board's Internal Regulations, namely:

- not being, or not having 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 significant customer, supplier or banker 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 Iceton 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 Middlenext Code.

It is specified, as necessary, that in order to assess the materiality or otherwise of the business relations likely to be maintained by these independent directors with the Company, the Company based its opinion not only on the criteria discussed above, but also on the conclusions of the Viénot I (*Association des Entreprises Privées*, AFEP, and CNPF: Report of the working group on the Boards of Directors of listed companies, July 1995) and II (*Association des Entreprises Privées*, AFEP, and MEDEF: Report of the Corporate Governance Committee, chaired by M. Vienot, July 1999) reports and the Bouton report (AFEP-AGREF, MEDEF: For better governance of listed companies, Report of the working group chaired by D. Bouton, Sept. 2002). There is significant overlap between the criteria in this report and those set out in the Middlenext Code. Thus, Lis Iceton 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 12 years.

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

3.1.9. TERMS OF OFFICE

The term of office of directors has been shortened from six to two years, by decision of the General Meeting of 27 April 2017 (resolution no. 5). This term of office complies with **recommendation no. 9** of the Middlenext 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.

3.1.10. PROFESSIONAL ETHICS

Further, in accordance with **recommendations no. 1 and 2** of the Middlenext 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 General 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 Middlenext 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 Middlenext recommendation on holding multiple offices.

3.1.11. CHOICE OF DIRECTORS

In accordance with **recommendation no. 8** of the Middlenext 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.

3.1.12. 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 company name	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 CEO	Paragon Identification, SAS
	Deputy CEO	PARAGON ID Technologies
John Rogers	Chairman of the Board of Directors	PARAGON ID, SA
	Director	Paragon Group Ltd (UK)
	Director	PCC Global PLC
LBO France Gestion	Chairperson	Financière LBO France (Simplified Joint Stock Company)
	Member of the Supervisory Committee	Financière RG Safety SAS (Simplified Joint Stock Company)
	Chairperson	OPCI Lapillus I (Simplified Joint Stock Company)
	Chairperson	SAS de Bagneux (Simplified Joint Stock Company)
	Managing director	Lapillus Invest I

		(Civil Company (*Société Civile*))
	Managing director	SCI TM Courbevoie (Real Estate Civil Company (*Société Civile Immobilière*))
	Chairperson	SASU TM Courbevoie Holdco (Simplified Joint Stock Company)
	Chairperson	OPCI Lapillus II (Simplified Joint Stock Company)
	Managing director	Lapillus Invest II (Civil Company (*Société Civile*))
	Managing director	Lapillus Gestion (Civil Company (*Société Civile*))
	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 a Management Board 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 a Management Board 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” ICETON	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 (ended during the financial year)
	Non-executive director	Jersey Electricity
	Non-executive director	VFS (Switzerland) (ended during the financial year)
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	Burall Infosmart Ltd
Deputy CEO / Director	Paragon Transaction SA
Chief Executive Officer	Paragon Identification SAS
Chief Executive Officer	Paragon ID Technologies SAS
Chief Executive Officer	Immobiliere Paragon France SAS
Managing director	SCI de L'Erigny SAS
Chief Executive Officer	Paragon Editique SAS
Deputy CEO	Gresset Rault Solutions SAS
Chief Executive Officer	D'Haussy Solutions International SAS
Chief Executive Officer	D'Haussy 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
Chairman	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
Chairman	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
	Director	PCC Grenadier Ltd
	Director	Stat Company Ltd
	Director	ZenOffice 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 General 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; and
- 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 that enable them to be identified and allow them to participate effectively are deemed to be in attendance.

However, apart from the specific provisions adopted in the context of the health crisis linked to the global Covid-19 pandemic, participation in the Board of Directors' meetings by videoconference or telecommunication is not possible for the operations referred to in Articles L. 232-1 and L. 233-16, i.e. for the preparation of the annual financial statements and the management report as well as for the preparation of the consolidated financial statements and the PID Group management report.

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 Middlenext Code.

4.1.3. EVALUATION OF THE BOARD'S WORK

According to **recommendation no. 11** of the Middlenext 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.
Accordingly, the Company's Board of Directors met on 22 June 2021 to examine its compliance with the recommendations of the Middlenext Code and to consider the report of an independent expert who had been tasked with assisting the Board of Administration in its assessment of the work of the Board. 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 Middlenext 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 Middlenext 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 10 times and its decisions or deliberations were recorded in minutes. The average rate of attendance of its members was 83.33%.

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 General Meetings, review and authorisation of acquisitions.

4.1.5. SPECIALIST COMMITTEES

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

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

The following table shows the composition of the committees at 30 June 2021:

Last name	**Office**	**Main positions within the Company**	**Independent director**	**Date of first appointment**	**End of term**	**Audit Committee**	Appointments and Compensation **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 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022		Member	Member
Lis Iceton	Director	N/A.	Yes	Reappointed on 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial	Member		

					year ending 30 June 2022			
Valéry Huot	Permanent representative of LBO France Gestion, Director	N/A.	No	Reappointed on 10 December 2020 (First appointed: 22 July 2005)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member	Member	
Dominique Durant des Aulnois	Director	Since 24 July 2018, Secretary-General	No	Reappointed on 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	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 an Appointments and Compensation 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 Appointments and Compensation 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; 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.

With regards to 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 Appointments and Compensation 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 Appointments and Compensation Committee during the financial year

The Committee met twice 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 to 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.

- <u>Operational procedures</u>

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.

- <u>Meetings of the Audit Committee during the financial year</u>

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

4.1.8. 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.

- <u>Composition</u>

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.

- <u>Powers</u>

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 European 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 three times in the financial year and the attendance rate of its members was 100%.

5. COMPENSATION AND BENEFITS

5.1.1. CORPORATE OFFICER 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 General Meeting and allocated by the Board of Directors in accordance with **recommendation no. 10** of the Middlenext Code and the provisions of Article L. 225-45 of the French Commercial Code.

Under resolution no. 16 of the General Meeting of 10 December 2020 the compensation that can be awarded to directors was capped at €50,000.

At its meeting on 10 December 2020, in accordance with the recommendations of the Appointments and Compensation Committee, the Board of Directors decided to divide the allocation between the Company's two independent directors, Lis Iceton and Alyna Wnukowsky.

The following amounts were hence paid in the financial year ended 30 June 2021:

- To Lis Iceton, a total amount of €25,288.

- To Alyna Wnukowsky, a total amount of €15,696.

5.1.3. HOLDING BOTH AN EMPLOYMENT CONTRACT AND A CORPORATE OFFICE

In accordance with **recommendation no. 15** of the Middlenext 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 2021, 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 were approved by the Board of Directors based on a proposal by the Compensation Committee and will be submitted for the approval of the General Meeting on 10 December 2021.

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 Middlenext Code.

5.1.4.1. Compensation of the Chairman of the Board of Directors

In the financial year ended 30 June 2021, 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 2021, 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 Appointments and Compensation 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 2021, Clément Garvey received a severance payment, the amount of which complied with **recommendation no. 16** of the Middlenext Code.

Should the Chief Executive Officer, Clément Garvey, be dismissed from office for any reason whatsoever (other than gross or wilful misconduct), he is entitled to a gross severance payment of 70% of his fixed gross compensation for the 12 months preceding the dismissal.

This severance payment in the event of dismissal 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 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 12-month period.

5.1.6. NON-COMPETE PAYMENT

In the financial year ended 30 June 2021, no executives were subject to a non-compete clause.

5.1.7. SUPPLEMENTARY PENSION SCHEME

From 1 July 2020 to 30 June 2021 Clément Garvey was covered by a supplementary pension scheme, identical to the one to which Company employees are entitled. This scheme complies with **recommendation no. 17** of the Middlenext Code.

5.1.8. STOCK OPTION AND FREE SHARE ALLOCATION PLANS

No stock option plans were issued in the financial year ended 30 June 2021.

5.1.9. COMPENSATION OF CORPORATE OFFICERS IN POST OVER THE PERIOD

Summary table of compensation of each executive corporate officer

	30/06/2021		30/06/2020	
	Amount due (1)	Amount paid (2)	Amount 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	**-**	**-**	**-**	**-**
Clément Garvey, Chief Executive Officer				
Fixed compensation (3)	€168,000	€166,600	€168,000	€165,900
Variable compensation (4)	-	€53,760	-	€60,010
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind (5)	€9,700	€9,509	€6,409	€2,274
Total	**€177,700**	**€229,869**	**€174,409**	**€228,184**

(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* Appointments and Compensation *Committee, the Board of Directors set the compensation of Clément 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

	30/06/2021		30/06/2020	
	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)
LBO France Gestion, represented by Valéry Huot				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Elisabeth "Lis" Iceton				
Director's compensation	25,288	22,672	23,827	21,157
Other compensation	-	-	-	-
Total	**25,288**	**22,672**	**23,827**	**21,157**
Dominique Durant des Aulnois				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total				
Alyna Wnukowsky				
Director's compensation	15,696	13,080	10,464	10,832
Other compensation	-	-	-	-
Total	**15,696**	**13,080**	**10,464**	**10,832**
Laurent Salmon				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total				

Summary table of indemnities and benefits of executive corporate officers

Executive corporate officers	Employment contract	Supplementary pension plan	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	Yes	No

5.1.10. PRINCIPLES AND CRITERIA APPLICABLE TO THE CALCULATION, DISTRIBUTION AND ALLOCATION OF THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF TOTAL COMPENSATION AND BENEFITS OF ANY KIND TO WHICH DIRECTORS AND THE CHIEF EXECUTIVE OFFICER ARE ENTITLED IN RESPECT OF THE COMING YEAR 2020/2021

Based on a proposal by the Compensation Committee, in accordance with Article L. 22-10-8 of the French Commercial Code, at its meeting on 22 October 2021, 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 benefits of any kind to which the Chairman and 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. These will be submitted to the General Meeting for approval on 16 December 2021.

These principles and criteria are presented below:

<u>For the directors</u>

Components of compensation	Principles and amounts	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 of the company, which may include the Directors. No such decision was taken during the financial year.
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.
Supplementary pension plan	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 and amounts	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 Appointments and Compensation 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. No such decision was taken during the year.
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	6,026	A temporary termination benefit is provided pending full coverage by GSC insurance for loss of office insurance, with full coverage providing compensation equal to 70% of the gross monthly compensation for 12 months.
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.
Supplementary pension plan	N/A.	No top-up pension scheme cover.
Executive civil liability insurance	4,547	The Board of Directors approved *Garantie Sociale des Chefs et Dirigeants d'Entreprise* insurance cover 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 General Meeting.

6. ATTENDANCE OF SHAREHOLDERS AT THE GENERAL MEETING

In accordance with **recommendation no. 12** of the Middlenext Code, the Board reports on the Company's relations with its shareholders.
The last Annual General Meeting was held in camera on 10 December 2020 due to the health context. The shareholders who took part in the votes on the proposed resolutions represented 88.43% of the share capital and 92.76% of the exercisable voting rights. Shareholders were given the opportunity to vote by post or to appoint a proxy. Thirty-two of the thirty-three resolutions were passed with more than 99.67% of votes and the resolution that was not passed was rejected unanimously, in accordance with the Board of Directors' recommendations.

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

"Ordinary, Extraordinary and Special General 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 General 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	**General Meeting (Resolution No.)**	**Duration (Expiration date)**	**Maximum amount authorised**	**Amount used as of the date of this Document**
1. Issuance of shares or convertible securities or debt securities				
Without preferential subscription rights for a named individual (1)	10-12-2020 (22nd)	18 months (10-06-2022)	Capital increase: €1 million Debt issuance: €5 million	0
Without preferential subscription rights for a category of individuals (2)	10-12-2020 (23rd)	18 months (10-06-2022)	Capital increase: €12 million Debt issuance: €36 million	0
Issuance of equity warrants without preferential subscription rights for a category of individuals (3)	10-12-2020 (24th)	18 months (10-06-2022)	Capital increase: €3.15 million	0
Free share allocation	10-12-2020 (25th)	38 months (10-02-2024)	90,000 shares	0
With preferential subscription rights	10-12-2020 (26th)	26 months (10-02-2023)	Capital increase: €12 million Debt issuance: €36 million (within the limit of the ceilings referred to in the 32nd resolution of 12-12-2018)	0
L. 411-2 (II) qualified investors without preferential subscription rights (4)	10-12-2020 (27th)	26 months (10–02–2023)	Capital increase: €12 million Debt issuance: €36 million (within the limit of the ceilings referred to in the 32nd resolution of 13-12-2017)	€0
Price-setting (for resolutions removing the preferential subscription rights) (5)	10-12-2020 (28th)	26 months (10-02-2023)	N/A	N/A
Exchange offer made by the Company	10-12-2020 (29th)	26 months (10-02-2023)	Capital increase: €12 million Debt issuance: €36 million (within the limit of the ceilings referred to in the 34th resolution of 13-12-2017)	0
Contribution in kind	12-12-2019 (18th)	26 months (12-02-2022)	10% of share capital	0

2. <u>Authorisation to repurchase shares</u>	10-12-2020 (18th)	18 months (10–06–2022)	10% of share capital	0
3. <u>Cancellation of shares</u>	10-12-2020 (32nd)	18 months (10-06-2022)	10% of share capital	0

** Overall cap agreed at the General Meeting on 13 December 2017 on issuances under the delegated authority of the 26th, 27th and 29th resolutions: capital increase: €18 million/debt issuance: €54 million (34th 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 at least equal to 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 the vesting date where relevant, while being no less than the share's par value; 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, identification and track and trace of people and goods sectors. The issue price will be set by the Board of Directors and must be at least equal to one of the following amounts, without being lower than the par value:

(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 they control 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 also 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 of Directors 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) The price will be set by the Board of Directors 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.*

During the financial year ended 30 June 2021, no delegation of authority was used.

8. ELEMENTS LIKELY TO IMPACT ANY PUBLIC OFFERING

In reference to Article L. 22-10-11 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, who comes to hold or ceases to hold, through any means, 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 one or more shareholders with at least 5% of the 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 General 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 Article 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 General Meeting on 10 December 2020 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 share ownership plan, the remittance of shares for exchange, payment etc., as part of any acquisitions, mergers, demergers or contributions, 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 General Meeting of 10 December 2020 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 the share capital by cancelling, in one or more instalments, any or all shares held by the Company or which it may acquire under share purchase programmes authorised by the General Meeting, capped at 10% of share capital at the date of this meeting.

9. INFORMATION RELATING TO THE COMPANY'S SHARE CAPITAL

As of the date of this report, the Company's share capital totals €69,270,355. It comprises 1,979,153 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 2021

Opening position, as of 1 July 2020

	Number of shares	% of share capital	% voting rights Theoretical*
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%
Registered shareholders	**1,965,337**	**100.00%**	**100.00%**

Closing position, as of 30 June 2021

	Number of shares	%	% voting rights
		of share capital	Theoretical*
Registered shareholders	1,724,031	87.11%	92.50%
- Grenadier Holdings Limited Co	1,591,603	80.41%	85.13%
- LBO France Gestion	66,298	3.35%	3.87%
- Other investment funds	49,403	2.47%	2.90%
- Other shareholders	6,399	0.32%	0.19%
(of which employees)	10,328	0.52%	0.30%
Free float	255,122	12.89%	7.50%
Total	**1,979,153**	**100.00%**	**100.00%**

(*) As of 30 June 2021, the number of theoretical voting rights totalled 3,403,584, 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 3,401,957. 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. 1,627 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 2021, through its liquidity agreement with the brokerage firm Portzamparc, the Company indirectly held 1,627 treasury shares. These shares do not have voting rights.

In its 18th resolution, the Ordinary General Meeting held on 10 December 2020 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 ended 30 June 2021 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 30/06/2021	*12,058* euros
Number of shares registered in the name of the Company on the reporting date	1,627 shares
Number of securities purchased in the financial year ended 30/06/21	14,391 shares

Number of securities sold in the financial year ended 30/06/21	13,658 shares
Average purchase price	€26.01
Average sale price	€25.33

10. AGREEMENTS AND COMMITMENTS UNDER ARTICLES 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 General 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 General 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 Directors' recommendations.

Paris, 22 October 2021.

The Board of Directors

Appendix A

Table of results of the last five financial years

Reporting date *Length of financial year (months)*	*30/06/2021* *12*	*30/06/2020* *12*	*30/06/2019* *12*	*30/06/2018* *12*	*30/06/2017* *18*
SHARE CAPITAL AT THE END OF THE FINANCIAL YEAR					
Share capital	69,270,355	68,786,805	58,286,795	58,286,795	58,286,819
Number of shares					
- ordinary	1,979,153	1,965,337	1,665,337	1,665,337	58,286,819
- preferred dividend					
Maximum number of shares to be created					
- through the conversion of bonds					
- through subscription rights					
OPERATIONS AND RESULTS					
Pre-tax revenues	10,367,830	21,250,165	30,381,809	27,677,498	47,004,574
Income before tax, profit-sharing, depreciation, amortisation and provisions	(4,154,445)	(3,368,332)	(6,030,727)	(4,938,781)	(8,245,374)
Income tax	(230,068)	(258,401)	(556,780)	(686,507)	(279,019)
Employee profit-sharing					
Depreciation, amortisation and provisions	78,460	630,038	656	889,601	4,029,163
Net income	(3,924,377)	(3,739,969)	(5,474,603)	(5,141,876)	(11,995,518)
Distributed earnings					
EARNINGS PER SHARE					
Income after tax, profit-sharing, before depreciation, amortisation and provisions	(2)	(3)	(3)	(3)	(0)
Income after tax, profit-sharing depreciation, amortisation and provisions	(3)	(3)	(3)	(3)	(0)
Dividend allocated					
PERSONNEL					
Average workforce	52	55	58	68	75
Payroll	4,002,774	3,973,935	3,330,473	3,142,908	5,869,880
Amounts paid in employee benefits (social security, charitable work, etc.)	1,543,213	1,836,302	1,288,632	1,269,743	2,424,922
	30/06/2021	*30/06/2020*	*30/06/2019*	*30/06/2018*	*30/06/2017*

Appendix B
Non-financial performance statement

Non-Financial Performance Statement 2020-2021

Secure Technology for a Connected World

Contents

Methodology

- This Non-Financial Performance Statement (the "NFPS") describes Paragon ID's approach, policies and actions with regard to Corporate Social Responsibility ("CSR"). It is an integral part of the Management Report and is structured around the main CSR issues that Paragon ID has identified and placed at the heart of its strategy, as a socially responsible company.

- Scope: Social and societal issues have been identified for the entire Group, except for the recently integrated companies airweb and Apitrak (respectively 20 and 5 employees), which provide software solutions.

- Governance of the CSR approach and data collection method:
    - The CSR policy is monitored by the CEO, with the support of the Chief Financial Officer and the Company Secretary. At the operational level, it is led by the Managers of each operational entity.
    - The NFPS is reviewed and validated by the Board of Directors.
    - Collecting, consolidating, processing and analysing the related information is carried out by the Group's Company Secretary.
    - An internal audit is carried out annually by the Company Secretary and an external audit is carried out by EY.
    - The data is provided for the fiscal year ending 30 June 2021 and is compared with data from previous years, to monitor trends.

- The NFPS is built around the following themes:
    - Strategy and business model
    - Policies concerning Ethics, Human Resources, Environment and Information Security
    - Principal social, societal and environmental issues and risks
    - Findings, KPI’s, Objectives and Action Plan to address the identified issues and risks.

Key figures 2020/2021

+€84 m
Turnover

+€6.4 m
EBITDA

550
employees

5
Production sites

5
R&D and software development sites

150 cities
Provided with access control solutions

100+
Patents filed worldwide

No 1
Inlay manufacturer in Europe

Our assets

Our clients

Our international presence

A history of successful acquisitions

Our technological expertise

Our industrial facilities

Our strategic vision

To be the European leader and a world leader in technologies for:

- Secure and contactless access control in public transport
- Traceability of objects and brand protection
- Document security
- Specialty payment cards

Strategy statement

Paragon ID SA is a company that provides identification technology solutions for four distinct markets - public transport, track & trace, payment and identity - mainly using contactless radio frequency communication (RFID) technologies.

It manufactures products integrated into identity control documents such as passports, tickets and cards for public transport, labels for product traceability and contactless payment cards.

In addition, Paragon ID develops, publishes and markets software platforms; one for the management of digital ticketing and related user accounts in public transport and the other for real-time tracking of geolocated assets, using technologies such as GPS, Wifi, Bluetooth or RFID.

The company's key strengths are its R&D resources, its industrial and technological expertise and the quality of the products and services it delivers to its clients. It has strong values, which include a socially and environmentally-responsible approach to doing business.

Paragon ID distributes its products and solutions both directly and through its partners, to manufacturers, integrators and operators worldwide, based mainly on a B2B2C model.

Over the next three years, the company aims to increase its turnover and EBITDA through expansion in four specific markets, while reducing its environmental footprint.

Our 4 global markets

Electronic Identification (eID)

Contactless technologies for secure identity documents

Transport & Smart Cities

Transport tickets

Mobile ticketing

Contactless payment

Account-based ticketing

Traceability and Brand Protection

RFID and NFC tags
Asset tracking
Geolocation
Secure authentication

Payments

Payment cards
Gift cards
Membership cards
Contactless metal cards

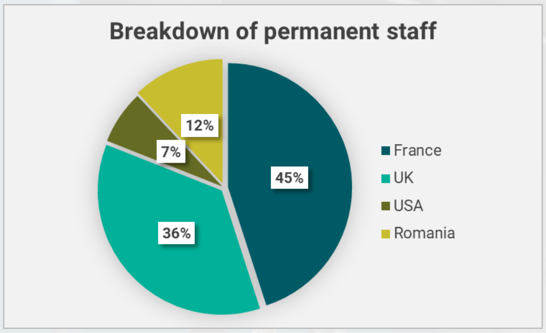
Turnover 2020-2021

- Traceability: 33%
- Smart Cities: 32%
- Payment: 28%
- eID: 7%

Our resources

Human capital

An international team of 550 employees



Highly qualified employees who, over the years, have accumulated recognised 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

R&D in computers and electronics

- Mobile apps and software
- Data management
- Operating systems
- Blockchain, algorithms, secure encryption

Industrial capital

A unique industrial configuration

- 5 secure production sites (including Romania)
- Overall control of the production chain
- 500 million RFID products manufactured each year

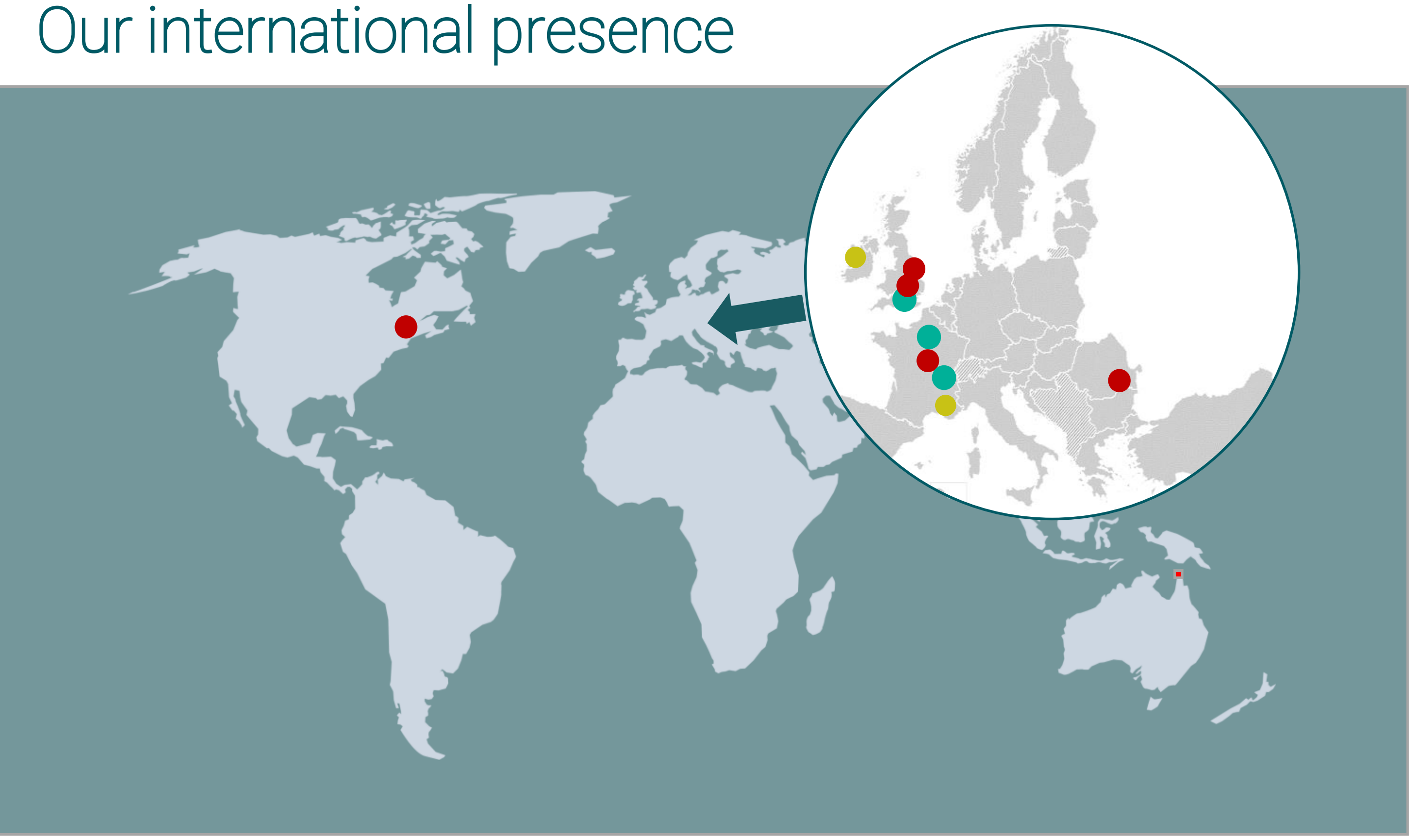
Financial capital

Financial performance as at 30 June 2021

- €84 million turnover despite the COVID-19 health crisis that hit the world in March 2020
- EBITDA (1) of €6.4M with an (EBITDA (1) / Sales) of 7.6%
- Nearly 9 million in capital expenditure (Capex and acquisition) in the year to 30 June 2021

(1) Operating profit before depreciation, amortisation and non-recurring items

Our international presence



INDUSTRIAL

- **5 secure production units**
  - France (Argent sur Sauldre)
  - United Kingdom (Hull)
  - United Kingdom (Rayleigh)
  - Romania (Bucharest)
  - United States (Burlington)
- **2 R&D centres in Europe** **(Mouans-Sartoux & Ireland)**
- **3 software development sites** **(Milton Keynes, Paris-St Cloud, Grenoble)**

COMMERCIAL

- **Commercial coverage organised across 3 regions:**
  - EMEA - Asia
  - United Kingdom - Australia
  - America

Dynamic external growth strategy

2017

ASK

2018-2020

AMATECH

THAMES TECHNOLOGY

RFID DISCOVERY

2020-2021

airweb

apitrak

Urban Transport

airweb facilitateur de mobilité

Software platform for management of digital ticketing and related user accounts in public transport

Payment

THAMES TECHNOLOGY

UK manufacturer of payment cards for niche markets, with a metal card offer and an eco-friendly range.

AMATECH

Unique portfolio of patents enabling "contactless technology" for payment cards.

Traceability of objects

RFiD DISCOVERY

UK developer of software which allows the geolocation of equipment and objects in real time, particularly within healthcare.

apitrak Géolocalisation simple pour la santé

French developer of software allowing the geolocation of equipment and objects in real time.

2020/2021 In brief

The group continues to strengthen its commitment to societal and environmental performance.

Clients

- Innovation
- Reliable products
- Product portfolio
- Eco-responsibility

Colleagues

- Recruitment & staff commitment
- Talent as a major asset
- Health and wellbeing
- Employment rights

Partnerships

- Sustainable supply chain
- Verification of CSR commitments in acquisitions and partnerships
- Ethical behaviour in business interactions

Environment

- Eco-design
- Safe materials and substances
- Environmental performance of operations

- 2020/21 was marked by a health and economic crisis of unprecedented magnitude, duration and geographical scope.

- Thanks to the flexibility and strength of its business model, Paragon ID was able to adapt to this challenging environment. It resulted in a "stable" EBITDA to turnover ratio, despite a decline in its turnover of 22%.

- From the beginning, the health crisis impacted the activity within the group's manufacturing sites; in particular in the urban transport and identity markets.

- The Track and Trace activity showed resilience and remained stable.

- The payment activity grew strongly despite the difficult context.

- In addition, Paragon ID strengthened its position in the digital world by acquiring a controlling interest in airweb and Apitrak, whose digitally-based offering was boosted by the health crisis.

Outlook

Paragon ID continues to develop innovative solutions that meet the social, societal and environmental performance expectations of its stakeholders.

- Paragon ID's subsidiary "airweb" provides the world of public transport, with a digital ticketing suite, responding to an increasing market need. It constitutes a turning point in Paragon ID's commitment to reduce its carbon footprint in this sector.
- airweb's solutions make it possible to phase out physical media for accessing public transport, thereby eliminating paper, ink, silicon, and solvents.
- Apitrak's and RFID Dicovery's asset-tracking solutions allow hospitals to track medical equipment in real time, significantly increasing efficiency in its use within the hospital. Tracking each piece of equipment helps to maximise its use, reduce equipment loss and limit the carbon footprint of the hospital sector.
- The contactless payment technology developed by AmaTech is being adopted and deployed by the world's leading payment card manufacturers.

Our innovations and eco-design projects include:

- Innovation - Reduction of product losses
- Eco-design:
  - Green cards
  - Industry 4.0

1. Innovation and eco-design: **Reduction of product losses**

Paragon ID provides innovative Ultra High Frequency (UHF) RFID products to the retail sector which allow items to be tagged and read from a distance of several metres. These innovative products are already in high demand.

This technology contributes to the reduction of product losses and to better stock management.

Paragon ID also provides Ultra High Frequency (UHF) RFID baggage tags to the airline industry, for real-time baggage tracking.

Eco-design is at the heart of Paragon ID's approach to innovation.

Paragon ID is developing a portfolio of products that are increasingly environmentally friendly throughout the product’s lifecycle with the following objectives:

- Raw materials issued from sustainably managed forests (FSC / PEFC)
- Recycling of antennas
- Water-based magnetic coating

The portfolio of eco-designed innovations also extends to other product ranges.

2. Innovation and eco-design: **Green cards**

Thames Technology has launched "environmentally friendly" payment cards made from wood or metal, offering fully recyclable payment solutions.

These products are consistent with the objective of reducing the usage of PVC in our payment cards.

The new "Eden" range offers a selection of more environmentally friendly plastic and non-plastic materials.

Eden Range: a portfolio consisting of a range of eco-friendly products

Revive

- Recycled PVC
- Obtained from industrial waste
- Suitable for bank cards and retail

Restore

- Recycled PETG
- Obtained from industrial waste
- Suitable for bank cards and retail

Regenerate

- Organic PVC
- With a degradable PVC centre and cover
- Suitable for bank cards and retail

Turn the tide

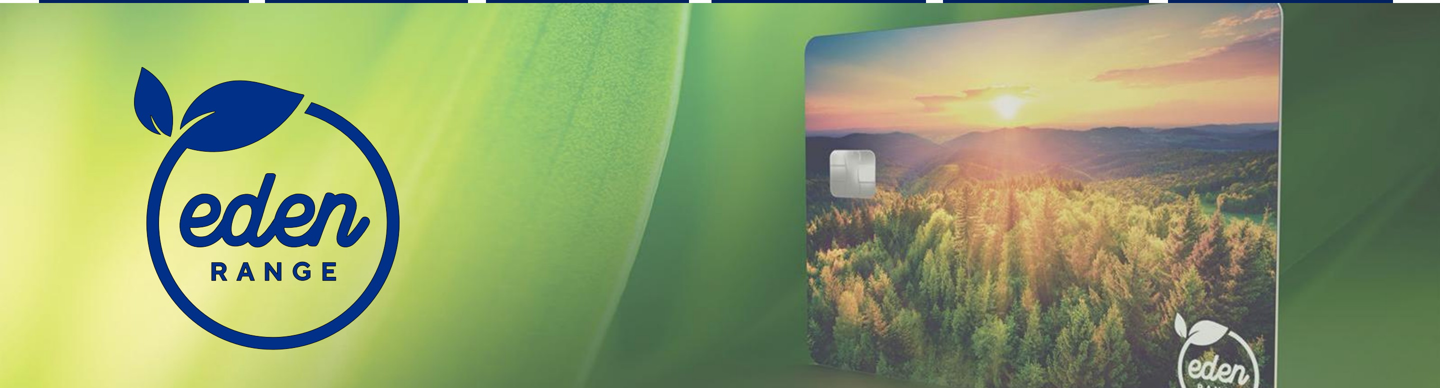
- Suitable for bank cards and retail
- Plastic from the oceans
- Collected from coastal communities at risk

Wood

- Made from cherry wood
- Chemical-free production
- Certified by Mastercard

Paper board

- Superior finish
- 100% recyclable & biodegradable
- Responsible manufacturing
- Fossil-fuel free production



3. Innovation and eco-design: **Industry 4.0**

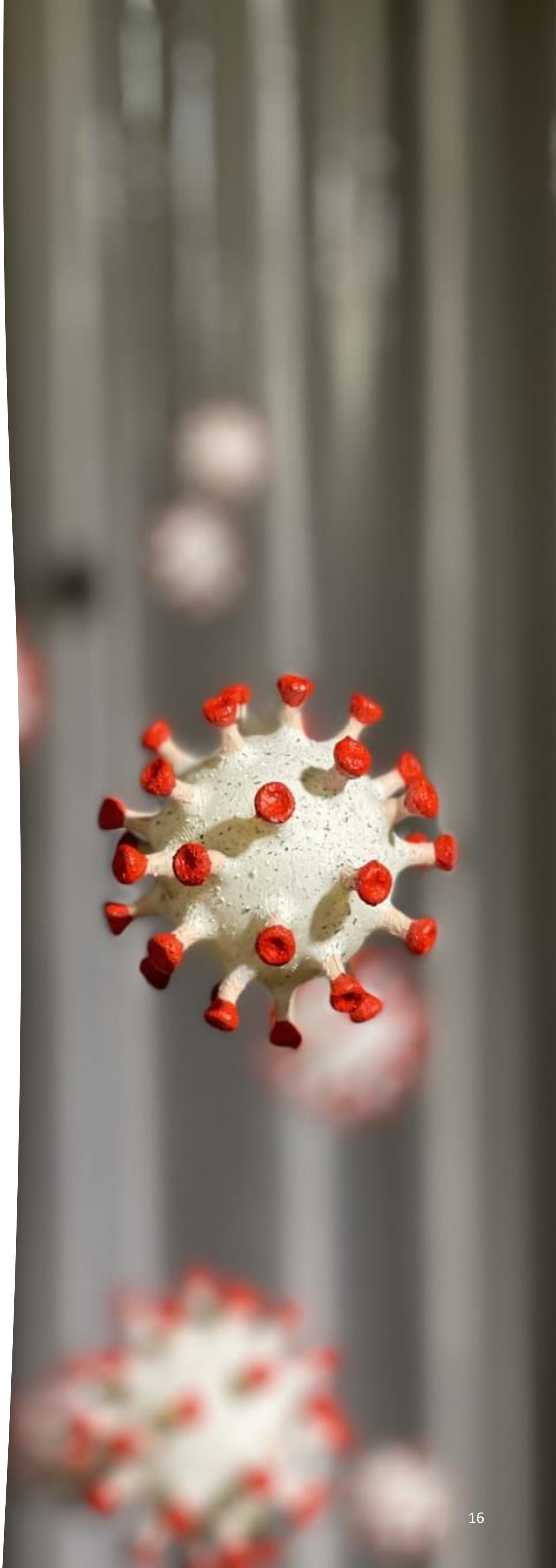
Despite the impact of the pandemic on its businesses, Paragon ID continued to invest in its production capabilities and in the development of its personnel. This, combined with the company’s know-how, creativity and capacity for innovation, positions Paragon ID to emerge from this period, stronger than ever.

Creativity, high standards and innovation remain at the heart of Paragon ID's strategy.

Paragon ID has invested and will continue to invest in high-tech equipment to fully benefit from the opportunities provided by Industry 4.0.

In the face of economic, social and health uncertainties, we will continue to be agile and innovative.

Covid 19: Management of the impact of the pandemic



Confronted with an unprecedented health crisis, impacting every country around the world, Paragon ID demonstrated its humanitarian values and its commitment to being a socially responsible employer, with an unparalleled mobilisation and adaptation of its operations.

Paragon ID's first priority was the protection and safety of all its employees. Its second priority was to do its utmost to satisfy the needs of its clients and to support them in this difficult time.

Close communication between employees and management ensured that the measures implemented were understood and accepted. Daily direct communication providing updates, took place with the workforce by SMS messages.

Paragon ID followed all governmental recommendations during the period of the pandemic, encouraging employees to work from home, ensuring physical distancing in production sites and catering areas and providing employees with masks, hydroalcoholic gels and other protection equipment.

Managers were trained to give support to employees in dealing with periods of lockdown and isolation.

- **SUPERVISION by the management:** Given the unprecedented nature and complexity of the situation, management was mobilised through daily team meetings, monitoring the situation and deciding on actions to be taken across the organisation.

  Crisis units in each factory met every day and worked closely with human resources and support functions.

  Working closely with employee representative organisations, each factory established appropriate health protocols, communicated information to employees and put the necessary measures in place to ensure compliance

- **COVID TRACKING: M**onitoring of positive COVID-19 cases and contact cases was carried out in compliance with both legal and confidentiality constraints.
- **FINANCIAL RESOURCES:** Paragon ID sourced State-Guaranteed Loans to ensure that the organisation had the necessary financial resources to implement all actions required.
- The Paragon Group – Paragon ID's principal shareholder – ensured that the company had the means to continue its strategic initiatives. Investments in R&D were sustained, as was capital expenditure in strategic machinery. The company also acquired controlling interests Apitrak and airweb, positioning itself for a return to post-pandemic growth.

Values
Commitment
Responsibility

Our values

The Management undertakes to respect and to ensure that all the company's staff respect the following values:

Respect

Let's share our ideas and knowledge with each other, while respecting our differences.

Responsibility

Let's deliver on our commitments and be accountable for our results.

Teamwork

Let's work together and communicate our objectives, our satisfactions and dissatisfactions, our difficulties and successes.

Innovation

Let's adopt an open mindset to encourage expression and creativity.

Safety & Environment

Let's take responsibility for our own safety and that of our colleagues. Let's respect our environment.

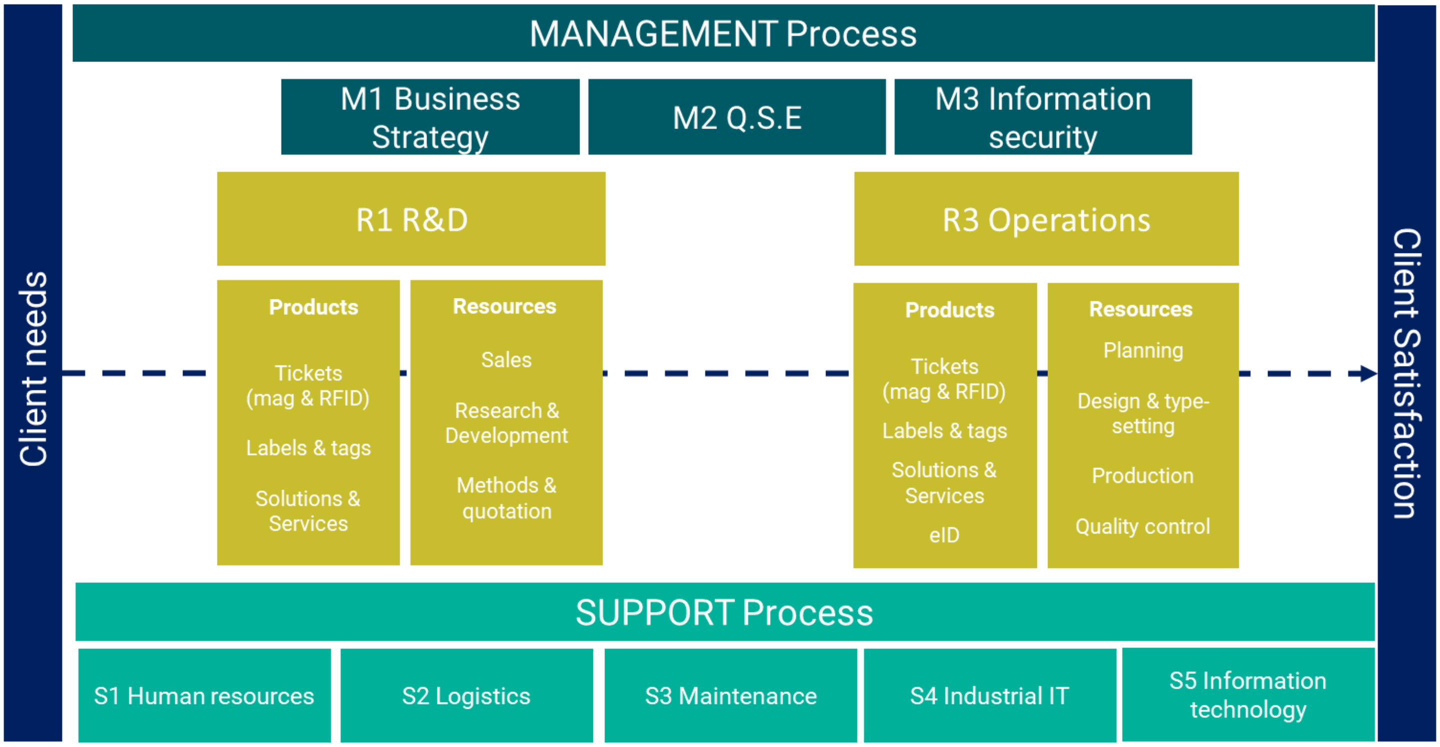
Our commitment

These values underpin our commitments to our clients, employees, suppliers and shareholders to:

- develop our capacity to innovate
- Improve the operational and managerial skills of our teams
- Master risk prevention related to the safety of people and property
- Reduce our environmental impact
- Comply with national and international legislation
- Maintain a high level of ethics

These commitments are achieved through processes for risk analysis, our Quality, Safety and Environment (QSE) management system and our continuous improvement approach, through application of ISO standards 9001, 14001, 27001 and of ECOVADIS (depending on the country).

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



Corporate Social Responsibility (CSR) in line with the strategic vision of the Paragon ID group

Paragon ID's social, environmental, ethical and economic concerns integrate all of its activities and its interactions with stakeholders.

Paragon ID's responsibility for the societal and environmental impact of its decisions and activities is reflected in the behaviours it encourages,

- Contributing to sustainable development
- Taking the expectations of stakeholders into account
- Complying with all applicable laws and international standards

Paragon ID chose to participate in the "Ecovadis" assessment in November 2020 for its French operations. It was awarded a gold medal for its CSR performance on the following subjects:

- Social and human rights
- Ethics
- Responsible purchasing
- Environment

GOLD 2020 ecovadis Sustainability Rating

This social responsibility is underpinned by its governance and by four key policies.

Corporate Social Responsibility (CSR) and its Governance

Our Corporate Social Responsibility (CSR) is implemented by the management of the operating companies. It may differ depending on the site and the legislation in force. We have improved our ethical and social policies as well as our Environmental and Information Security Management policies.

They have been implemented in all our main subsidiaries and are underway for our other areas of business.

The company has a Corporate Social Responsibility (CSR) Officer.

In each operational department, depending on needs and due to the regulations of each country, the approach may differ. The following committees have been or will be created:

- A **Management review** committee meets annually and evaluates the QSE approach of its operational management

- A **security committee** comprising of the company manager, the QSE manager, the information security manager and the IT and infrastructure managers meets at least once a year to analyse and decide on the actions to be taken to develop the company systems.

- An **ethics committee** made up of the company manager, the HR manager (ethics coordinator), the QSE manager and the IT production manager to assess new risks and implement the necessary actions. It meets when necessary.

The Board of Directors of PID SA

From left to right

- Laurent Salmon, *Board Member*
- Dominique Durant des Aulnois, *Company Secretary*
- Lis Astall, *Non-Executive Board Member*
- John Rogers, *Chairman*
- Alyna Wnukowsky, *Non-Executive Board Member*
- Valery Huot, *Board Member - representing LBO France Gestion*

These committees can be convened in case of an emergency which requires important decisions to be made.

Employees, by virtue of their responsibility or relationship with clients, suppliers or other organisations, must sign the security and ethics policy and ensure that they and others comply with it.

Our CSR policy is currently deployed in France, Romania and the United Kingdom. It is to be deployed in the USA. The operation of these committees is audited once a year by the Company Secretary of the Paragon ID Group, and an HSE audit is also planned as part of the ISO certifications.

Our policies

Our four policies supporting our CSR are:

- Ethical policy
- Human resources policy
- Environmental policy
- Information security policy

Ethical policy highlights prohibited practices and defines the rules that each employee must apply in his or her relations with clients, suppliers and competitors.

This ethical policy is a PARAGON ID policy, which applies to all employees including the members of the Board of Directors. It includes two procedures, a code of conduct and a statement:

- The handling of privileged information
- Anti-bribery code of conduct
- Statement on Modern Slavery
- Escalation (Whistleblowing) procedure

The governance of these principles was reviewed at the Board meeting on 22 June 2021 and was found to be satisfactory.

Human resources policy aims to promote employee/management dialogue, fight against all forms of discrimination, improve working and safety conditions, develop skills and respect fundamental human rights.

This human resources policy includes a PARAGON ID process and procedure that has been rolled out to all subsidiaries (except AmaTech, airweb and Apitrak).
An audit is carried out once a year by the Group Company Secretary.

This policy is enhanced operationally by specific policies corresponding to the legislative and consultative requirements of each site.

The Group HR process is as follows:

Control indicator:

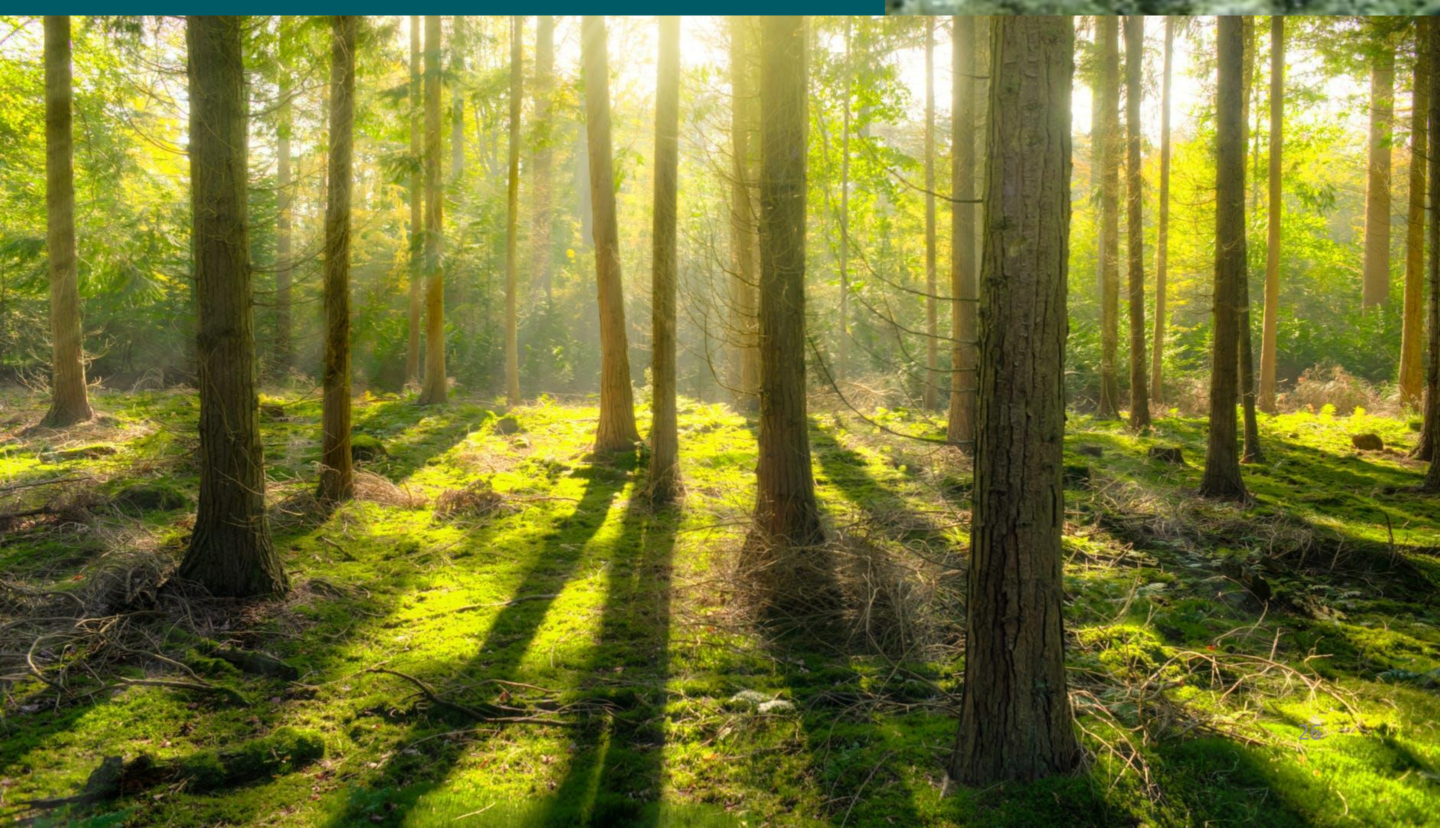
- State of progress in % of the training plan
- Absenteeism rate

Purpose: To provide the company with staff that are competent, trained, equipped and motivated.

An environmental policy to continuously improve our performance in complying with regulations, preventing pollution risks and developing the use of products that respect biodiversity.

PARAGON ID is aware of the major issues related to the environment and has adopted a proactive, environmentally-friendly approach for many years.

ISO 14001 is used as a reference to implement our environmental management systems for all Paragon ID sites.



Environmental policy

Reduction of environmental impacts

PARAGON ID is committed to controlling and reducing its environmental impact at all its production sites through preventive actions established in dedicated working groups.
The manufacturing processes are an integral part of this approach; they are the subject of ongoing research to:

1. Prevent pollution risks

Awareness-raising sessions are held for all employees so that everyone can play an active part in preserving our environment.

In each sector, we carry out analysis to anticipate any risk of pollution that may affect the water, air and soil.

2. Comply with regulatory requirements

The regulatory requirements are known, shared and respected for all the texts applicable to our profession.

3. Manage the end-of-life and recycling of our products

The end-of-life and recycling of our products must be taken into account by our R&D teams from the design stage. Wherever possible, we should offer papers made from pulp which has been sourced from sustainably managed forests and meeting PEFC and FSC requirements.

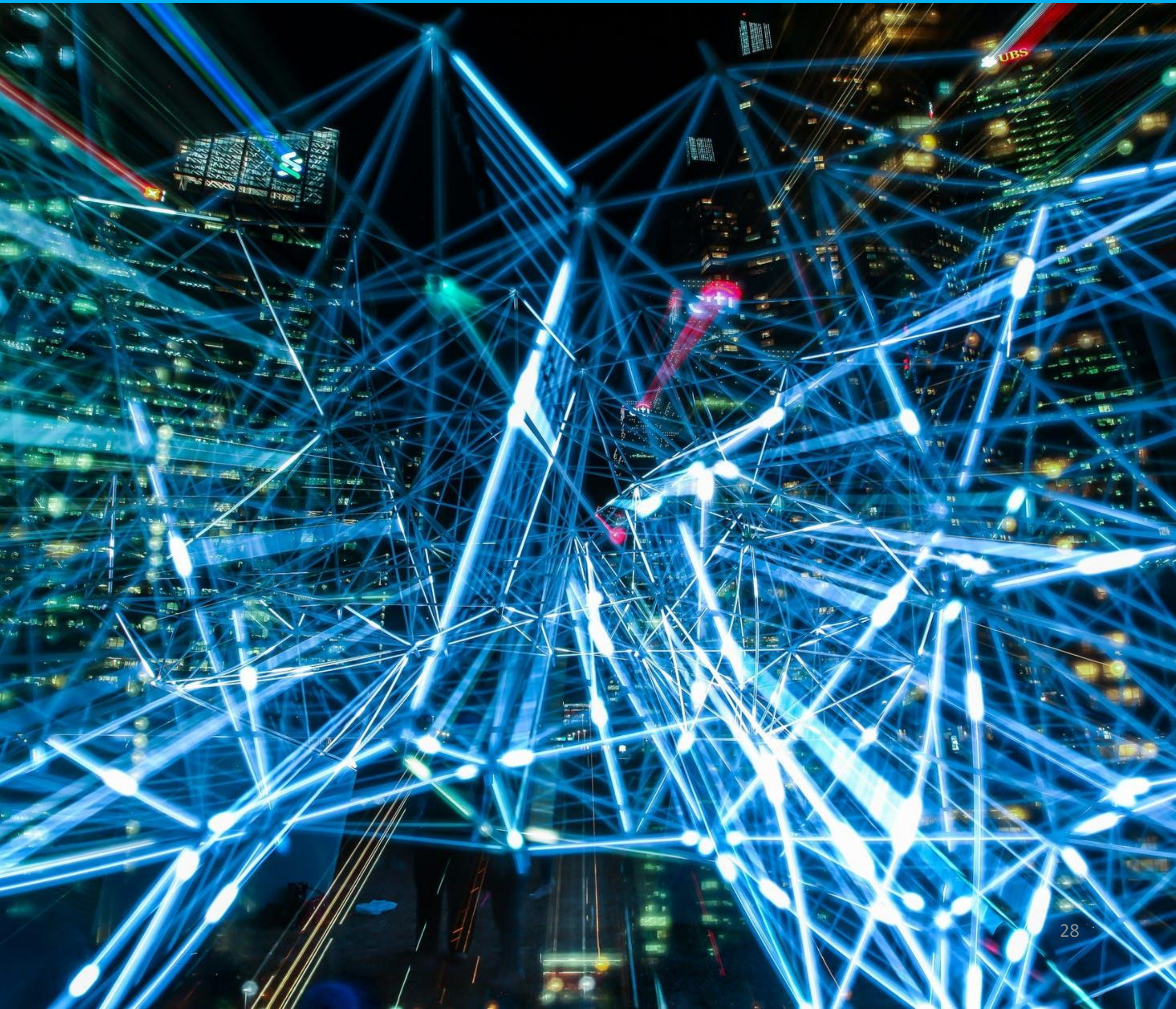
Our policy of reducing environmental impacts is based on these three main performance drivers

An Information Security Policy to control and protect the information of our company as well as that of our clients and suppliers.

Through this policy, we affirm our commitment to the protection of the data of all our stakeholders.

Paragon ID designs and manufactures products **and services** that are increasingly sensitive to information flows; this requires us to implement an information security management system.

ISO 27001 is adopted as a guideline for all PARAGON ID sites, as is compliance with the General Data Protection Regulation (GDPR) framework.



Information security policy

Our policy is based on the following themes:

Strategic and operational information security risks are understood and addressed to be eliminated or reduced to an acceptable level for the company. These risks are monitored periodically; they are systematically analysed when significant changes occur.

The confidentiality, integrity and availability of information are ensured at all sites and access management is controlled and monitored to ensure that access, disclosure and use of information is strictly limited to authorised persons.

We use all resources necessary to ensure compliance with applicable legal and regulatory requirements and investments are made specifically in physical security.

We ensure that employees and subcontractors understand their responsibilities and are qualified for their roles.
Each member of staff is responsible for information security in the context of their duties.

Management provides guidance and support for information security, in accordance with business requirements and applicable laws and regulations. It is actively involved in the continuous improvement of our information security management system. It ensures that all organisations comply with the General Data Protection Regulation. (GDPR)

Risk analysis

Better Control of risks through rigorous identification

For several years, the company has been mapping the risks it may face. The method used consists of each member of the management team making an inventory of known risks, measuring their criticality and seeking solutions to limit their impact.

An update of the risks, their criticality and the solutions to reduce their impact is carried out each year, validated by the General Management and the Board of Directors. Six risks related to the Non-Financial Performance Statement (NFPS) were identified.

- Three risks have a criticality score higher than 3 out of 10 and are considered main risks (Compliance with regulations, workplace accidents and staff turnover).
- Three other important risks.

These risks are listed below and are divided into 3 themes:

1. Environment

1.1 Risk of non-compliance with regulations

1.2 Risk associated with waste management, in particular the risk of release of pollutants

2. Human resources

2.1 Risk of accidents or sickness in the workplace

2.2 Risk of loss of talent and of excessive staff turnover

3. Business ethics

3.1 Risk of occurrence of corrupt behaviour or of behaviour that could encourage corruption

3.2 Risk of behaviour inconsistent with respect for all human rights

The following topics are not considered to be risks, given the nature of our businesses:

- Food waste
- Food insecurity, respect for animal welfare, etc.

CO2 EMISSIONS

In several countries across the world, companies apply the Scopes 1, 2 and 3 method to categorize the different kinds of carbon emissions they create, either through their own operations or their wider value chain. The term first appeared in the GreenHouse Gas Protocol of 2001 and, today, Scopes are the basis for mandatory GHG reporting in the world. (in 2016, 92% of the" Fortune 500" have declared to utilize this protocol.

Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling by the reporting company. Scope 3 includes all other indirect emissions that occur in a company’s value chain.

We have been able to calculate the CO2 emissions of Scopes 1 and 2 linked to the consumption of electricity (the group's main source of energy) at our five production sites. This represents at least 90% of the group's electricity consumption. However, due to the pandemic, we have not yet finalised the calculation of the Scope 3 carbon footprint. This will be an objective for the next financial year.

TAX EVASION

Tax evasion has not been identified as a risk which concerns the company and has not appeared in our structured risk analysis..

MAIN RISKS IDENTIFIED

Our main risks, together with their associated mitigation actions and objectives, are described in the following pages.

Our main risks and objectives

The main risks identified within Paragon ID are grouped around three distinct themes. Each identified risk, or risk area, has one or more clear objectives associated with it. All indicators have been calculated for the period from 1 July 2020 to 30 June 2021.

Scope

The following indicators have been selected to meet the regulatory requirements for non-financial information.

The CSR information corresponds to the scope of Paragon ID , the company, including the following sites:

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

1. Risk management - Environmental domain

In terms of the environment, the company aims to:

- **Ensure compliance with regulations** by reducing its impact on the environment.
- **Ensure responsible waste management**, in particular the release of pollutants into the air.

Risk 1.1: Ensure compliance with regulations by reducing the impact on the environment

Findings

The company has five production sites. Four of the main production sites, Rayleigh, Hull, Argent-sur-Sauldre and Bucharest, have been ISO 14001 certified since 2010, 2011, 2015 and 2020 respectively. In our action plan, we have defined that the Burlington site should be certified in 2022.

Action plan

We aim to have the Burlington site ISO 14001 certified by 2022. We have measured the electricity consumption of the production sites in order to take action to reduce it.

Indicators and targets

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

Power consumption: electricity is the main energy used in factories; lighting, air conditioning, ventilation, office equipment and heating are the main consumption items.

We have decided to consolidate our electricity consumption to measure the changes from one year to the next. This year (2020-2021) is the first year.

	Full Division		
Fiscal year	KW/h	Sum of sites' revenue in K€ excluding Bucharest	KWh/Revenue
2017-2018	9 286 860	104 131	89,2
2018-2019	9 325 300	98 464	94,7
2019-2020	8 366 058	94 450	88,6
2020-2021	6 171 260	70 591	87,4

Electricity consumption for 2019-2020 was down by 1MWh, representing an 8% decrease in the consumption to activity ratio. This evolution is mainly the result of energy-saving actions taken, including the implementation of low energy luminaires; improvement of control and timing systems; and the installation of motion detectors, with timers, to control the switching on and off of lighting. Actions were mainly carried out at the Bucharest site this year. The year 2020/2021 is atypical because we have suffered a significant drop in our turnover. We can see we have reduced our electricity consumption by the same proportion thanks to the actions taken to reduce costs – a 25% drop in production turnover and a 26% drop in electricity consumption.

Greenhouse gas emissions, linked to electricity consumption at our industrial sites, represent 376 tCO2e (using the ADEME emission factor).

Action plan

Our primary objective is to continue to gather measurements of these consumptions and to measure the effects of the return to normal activity. The effects will be counterbalanced by measures to reduce consumption.

Risk 1.2: Ensure responsible waste management, in particular, the release of pollutants into the air

Findings
Our sites in Hull and Argent sur Sauldre release solvents into the atmosphere.

Release of pollutants into the air	Thames	BBP	PIROM	PISAS	INT'TAG	PID
Emissions of VOC (Volatile Organic Compounds)	No	Yes	No	Yes	No	No

In 2020-2021, we summarised our VOC emissions. These measurements show slight deviations from the legislation at our Hull site. Measurements taken in 2018 at our Argent-sur-Sauldre site showed a slight deviation in stereotypical printing, however, modifications have since been made. It should be noted that the year 2020-2021 is atypical due to the health crisis, which had a very strong impact on the decrease in the consumption of magnetic tickets. We will take further steps during 2022.

Action Plan 2022: Water-based magnetic coating

Measurements of organic solvent emissions into the atmosphere in Hull, in December 2020, were slightly above the permitted limits at one of the five emission points.

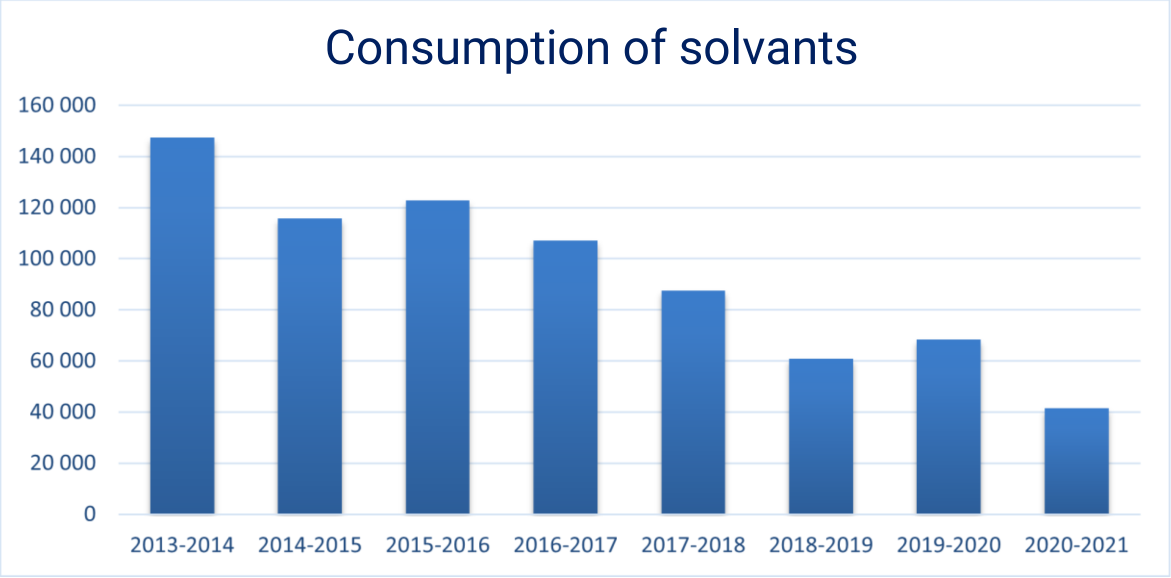
To remove the use of this type of solvent, with the approval of Hull City Council and in particular, the administrators of ***Environmental Permitting (England & Wales) Regulations 2016***, we have launched a project to replace the solvent with a water-based alternative. This should eliminate it completely from our production process.

This will require extensive testing and trials during 2021-2022. By June 2021, considerable progress had already been made in reducing/eliminating the need to use solvents.

The last part of this fiscal year will be devoted to process optimisation and field testing. It should be noted that since March 2020, the magnetic printing process has been virtually halted due to the impact of COVID-19 on the business. All of our future projections for magnetic ticketing requirements result in a demand that is considerably lower than pre-Covid levels, which naturally reduces solvent emissions.

Medium-term strategic action plan: Reduction in the amount of solvents used

As part of the solvent management plan and in order to reduce the potential impact on the atmosphere, Paragon ID has also implemented a reduction in the use of solvents. In particular the French site in Argent-sur-Sauldre has reduced its solvent consumption by 70% over a period of 8 years. The site has gone from a consumption of 147t (2013) to 41t (2020).



As Paragon ID's commitment to continuous improvement and environmental protection is a priority, the group is also working on the dematerialisation of certain product ranges using solvents.

This allows the impact of its activities on the atmosphere to be drastically reduced. For example, the acquisition of airweb is part of the approach to develop innovative products which aim to phase out physical tickets.

2. Risk Management - Human Resources

With regard to human resources, two risks have been identified:

- **risk of accidents at work**: Paragon ID aims to guarantee the health and safety of its employees.

- **staff turnover risk**: By controlling this risk, Paragon ID aims to retain talent and in the context of future growth, to strengthen its attractiveness in order to recruit fresh talent. Turnover rates in the USA and Romania are particularly monitored.

The health crisis resulted in a sharp reduction in staffing requirements, particularly at the Hull, Burlington and Bucharest sites.

We have been forced to reduce the number of employees in employment and are therefore unlikely to need to reduce staff numbers further. However, it remains a risk we will have to manage when we return to pre-pandemic activity levels.

Risk 2.1: Accidents at work, including their frequency and severity, and occupational diseases

Findings

Occupational accidents	TCT	BBP	PIROM	PISAS	PID	INT'TAG	Consolidation June 2021		Consolidation June 2020
No of accidents with workdays lost	0,00	2,00	0,00	2,00	1,00	0,00	5,00		10,00
No of hours worked (in millions)	0,22	0,15	0,16	0,32	0,08	0,08	1,01		1,29
No of workers with contracts	117,00	78,00	78,00	193,00	51,00	38,00	555,00		699,00
Rate of occupational accidents= No of lost time accidents per million hours worked; this rate only takes into account contracted workforce	**0,00**	**13,35**	**0,00**	**6,30**	**11,92**	**0,00**	**4,96**		**7,78**
No of calendar days lost	0,00	10,00	0,00	11,00	13,50	0,00	34,50		252,50
Hours worked (in 000s)	224,64	149,76	157,87	317,49	83,90	76,00	1009,65		1285,20
Severity rate of work accidents No of calendar days lost per 1,000 worked hours	**0,00**	**0,07**	**0,00**	**0,03**	**0,16**	**0,00**	**0,03**		**0,20**

During the current financial year, there were 5 work-related accidents across the entire Paragon ID Group which resulted in people having to take sick leave. These accidents occurred mainly at the Argent-sur-Sauldre and Hull sites (2 accidents at each site with 22 days lost).

In the financial year 2019, we had 15 accidents at work, resulting in 418 days lost; 2020, 10 accidents with 252 days lost and 2021, our results continue to improve, with 5 accidents and 34.5 days lost.

The frequency rate corresponds to the number of lost-time accidents per million hours worked; this rate only takes into account employees on permanent and fixed-term contracts. The rate is down by 36%.

The severity rate is the number of calendar days lost per 1,000 hours worked. The rate is down by 85%.

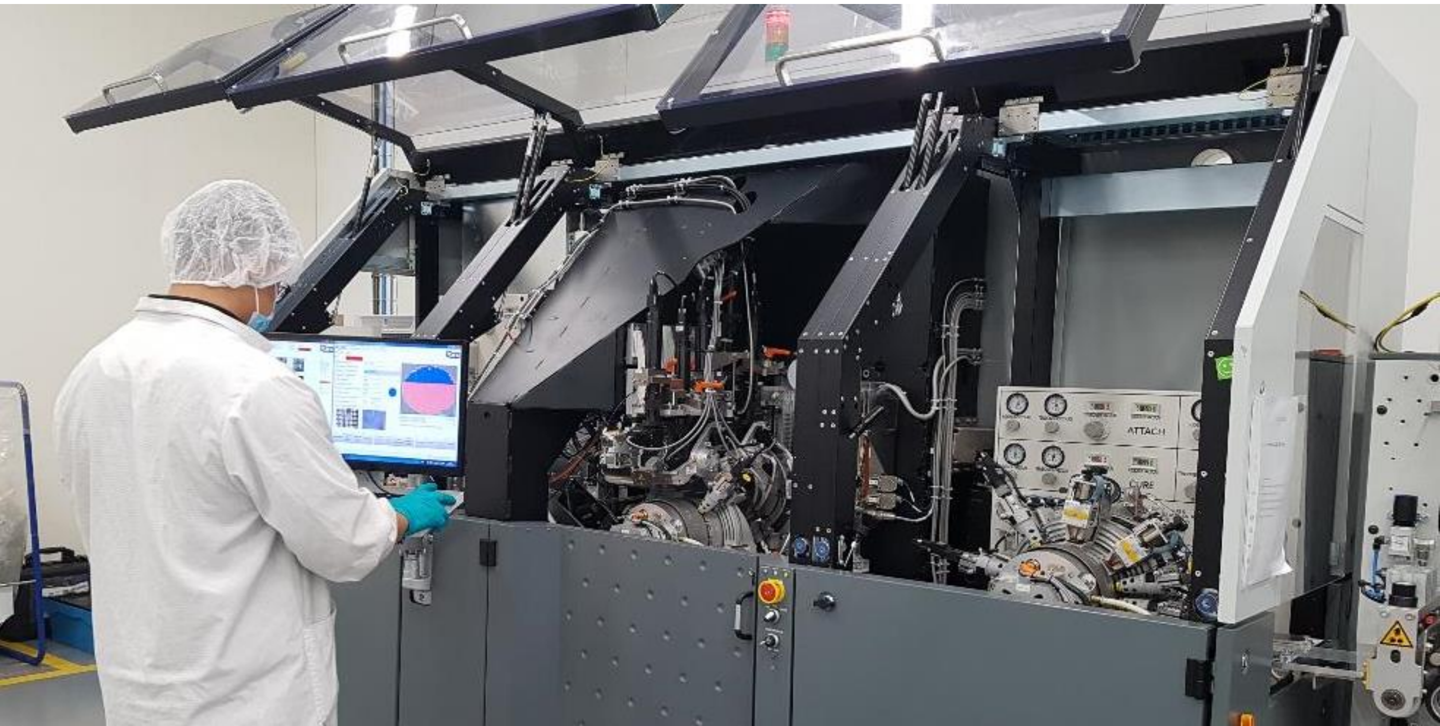
It should be noted that no occupational diseases were reported during the year, as was the case in 2020.

Action plan
Compared to the previous financial year, the number of work-related accidents on the sites has decreased, but our objective remains zero. To achieve our goal of ensuring the health and safety of all our employees, we must continue to increase our vigilance.

In order to reduce the risk, the following actions have been taken:
- A meeting of a multidisciplinary team is held, following each accident, to define the causes and implement corrective actions to prevent future incidents.
- Raising awareness with employees after an accident or near-miss.
- At the Argent-sur-Sauldre site, the "zero accident" objective was upgraded in relation to the other criteria for awarding quarterly bonuses. This was to raise awareness and make all employees aware of their responsibilities in the face of potentially dangerous situations.
- The health crisis has led us putting in place very strict measures and rules concerning, among other things, personal protective measures, the wearing of masks, homeworking, etc.
- Gradual certification of all our sites to ISO 45001. Bucharest is certified and Argent sur Sauldre aims to be certified in September 2022.

Indicators and targets
The indicators used for accident risk are:
- The severity rate
- The frequency rate

The objective is simple: 0 accidents and 0 transmissions of COVID-19 throughout the organisation.



Risk 2.2: Staff turnover rate

Findings

workforce / age pyramid		Thames	BBP	PIROM	PISAS	PID	INT'TAG	Consolidation 2021
< 20	Women	0	0	0	0	0	0	0
	Men	0	1	0	0	0	0	1
20-29	Women	2	5	16	4	0	2	29
	Men	8	10	11	9	2	5	45
30-39	Women	11	2	11	16	1	5	46
	Men	11	8	5	34	6	8	72
40-49	Women	14	5	15	28	7	2	71
	Men	19	12	8	38	13	1	91
50-59	Women	14	10	10	19	3	4	60
	Men	25	19	2	39	16	6	107
> or = at 60	Women	2	0	0	3	0	3	8
	Men	11	6	0	3	3	2	25
Total	**Women**	**43**	**22**	**52**	**70**	**11**	**16**	**214**
	Men	**74**	**56**	**26**	**123**	**40**	**22**	**341**
Grand Total		**117**	**78**	**78**	**193**	**51**	**38**	**555**
% of workforce 60 and above		**11,11%**	**7,69%**	**0,00%**	**3,11%**	**5,88%**	**13,16%**	**5,95%**

TURN OVER 2020-2021	Thames	BBP	PIROM	PISAS	PID	INT'TAG	Consolidation 2021
Workforce as of 30th of June	117	78	78	193	51	38	555
New hires	13	13	2	5	4	7	44
Departures	50	64	43	17	8	13	195
Including departure by own initiative (resignation, "rupture conventionnelle")	*6*	*13*	*8*	*3*	*6*	*10*	46
TurNover : volontary departures/worforce	5,13%	16,67%	10,26%	1,55%	11,76%	26,32%	8,29%

TURN OVER 2019-2020	Thames	BBP 2020	PIROM	PISAS	PID	INT'TAG	Consolidation 2020
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
Turmover : volontary departures/worforce	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	Consolidation 2019
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
Turmover : volontary departures/worforce	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 location of each site has a different appeal, each employment area has its own constraints on attractiveness, employment rates, etc. While recruitment is not a major issue at all our sites, attracting and retaining talent can be a real challenge in some locations.

Two elements should be taken into account when analysing staff turnover:

The age pyramid: 36% of our employees are currently over 50 years old and almost 6% are 60 years old or more. Thames Technology, which joined the Group in November 2019, has an "inverted" age pyramid. This is because 44% of employees are over 50 years old. The large number of departures during the year reduced the percentage of people aged 60 and over from 9.01% to 5.95%.

Given the specific knowledge and experience of these employees, we need to anticipate their retirement without losing know-how. Also, while some areas of the division seem to be successful in hiring future talent, this is not the case for the whole organisation.

Turnover: the calculation we use for this indicator is the number of employees that leave voluntarily (resignation, contractual termination) out of the total workforce. If we compare the overall rate to 2020, we are at 8.29% compared to 12.30% in 2020 and 21.75% in 2019. Analysing this in more detail, we see significant improvements have occurred at the Bucharest site. From 62% in 2018 -2019, we are now at 10.26%. The turnover rate is now at an acceptable level considering the country and the economic situation. We note a deterioration at the Hull site due to a very weak economic situation; the result of the health crisis which had a negative impact on demand for train tickets in the United Kingdom.

While these indicators are only a "trend", we need to increase our attractiveness in order to draw new and retain existing talent.

Action plan

Age pyramid:

- Work on an internship and apprenticeship campaign to ensure the attractiveness of our company to young people. This will be done, particularly in the USA, during 2021
- Work on human resources planning at individual organisation level, to avoid the loss of skills associated to the departure of experienced employees.

Turnover:

- Work on the integration process to help new recruits integrate more successfully into the business; arrangements are already in place in Hull.
- Further analysis of the causes of voluntary departures (e.g., interviews, analysis of seniority at the time of departure) to create an action plan to mitigate the causes of this risk.

Indicators and targets

The turnover risk indicators are:
- the age pyramid
- voluntary departures / workforce

Our objectives are:
- **On the age pyramid:** improving the baseline (hiring new talent) and ensuring key skills are not lost as experienced employees leave. This objective is complicated by the current health crisis and the departures that have taken place over the past two years. However, industry support measures around the world are helping us to achieve this goal.

- **Retain our employees:** the average turnover is 23% (average turnover rate across the world between 2013 and 2018 according to the "Preparing for take-off" study by the Hays Group). We are at 8.29% across the Group. Nevertheless, we wish to improve on this rate, in particular at our Burlington and Hull sites.

3. Controlling risks related to business ethics

With regard to business ethics, Paragon ID aims to:

- Prevent and fight corruption.
- Ensure respect for human rights.

Risk 3.1: Preventing and fighting corruption

Findings

An anti-bribery policy has been drafted and was presented to the Committee in April 2019. This is to be shared with all employees.

Action plan

We now need to ensure all employees have access to and are aware of the policy. To this end, the anti-corruption policy will be distributed to all new recruits.

An e-learning tool is being developed and is already being deployed at the Hull site. We are considering using this tool to provide all employees in the division with the same training on anti-corruption.
Finally, we need to inform employees at each site about who they should contact if they have any questions on the subject.

Indicators and targets

- Number of new hires that received the training:
  Objective: 100% in 2021 - The training is available to all employees online, on our website.
- Appointment of an Ethics Coordinator for each geographical area:
  Objective: 1 coordinator per entity in 2021 - Achieved in 2021.
- Implementation of the internal training tool:
  Target: in place by 2022, with access to ethics training.

Risk 3.2: Ensuring respect for human rights

Findings

Our company is made up of various subsidiaries that have been brought together over the years through shareholdings, acquisitions, mergers and the creation of new businesses. While each entity has its own DNA, we all share a common foundation of respect for human rights, which is inherent in our culture and social commitments.

Our company's subsidiaries are all geographically located in countries that have signed the United Nations Charter on Human Rights.

The management of fundamental rights risks is partially formalised by each company in the group.

In each country where we have operations, human rights are incorporated into the laws for relevant issues. These include:

- Working conditions for employees and subcontractors (e.g., working hours and time, health and safety)
- The terms of remuneration and the social security system
- The fight against all types of discrimination and harassment
- The protection of personal data
- Freedom of association and trade union freedom
- The fight against child labour and all types of forced labour (i.e., practices similar to modern slavery)

We respect the legislation in force in each country where we operate. Collective agreements are signed, mainly in France.
For the 2020-2021 financial year, in France, we have signed three agreements (NAO, and APLD (2)). In Romania, an agreement is signed every year with employee representatives on minimum wages.

Action plan

We wish to increase our commitment to respecting human rights and, are gradually communicating the Paragon Group's statement on modern slavery in order to reiterate the importance of respect for human rights for our company.

This statement will gradually be made available to all employees and will be rolled out in the same way as our anti-bribery policy. It is available in English on our website.

Indicators and targets

- To make the statement on modern slavery available in English, French and Romanian. 100% of employees informed in 2021 and the statement has been posted on the website.
- Percentage of new hires to receive the statement:
  Objective: 100% in 2021 - the statement is made available to all employees.
- Appointment of a Human Rights Coordinator for each geographical area.
  Objective: One coordinator per entity in 2022 – achieved by 2021.
- Implementation of the internal training tool:
  Target: in place by 2022, with access to the statement.

Contact:
If you need further information, please contact the CSR manager at Paragon ID:

Mr Durant des Aulnois
dda@paragon-id.com
+33 6 61 32 85 04

Secure Technology for a Connected World

FINANCIAL REPORT

2021

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

		12 months	12 months
In thousands of euros	***Notes***	**June 2021**	**June 2020**
Revenues	**4**	**83,948**	**107,998**
Cost of sales	**5**	(41,579)	(56,740)
Employee costs	**6**	(24,669)	(28,028)
Other operating income and expenses	**7**	(12,174)	(15,369)
Operating income before depreciation, amortisation, impairment and non-recurring items		**5,526**	**7,861**
Amortisation and impairment of intangible assets	**12**	(3,469)	(3,390)
Depreciation of property, plant and equipment	**13**	(5,098)	(4,994)
Other non-recurring income and expenses	**8**	(2,068)	(2,952)
Operating income		**(5,109)**	**(3,475)**
Financial income/(expenses)	**9**	(1,209)	(2,345)
Income/(Loss) on disposal of fixed assets		9	3
Income/(Loss) on investments	**14.1**	-	(300)
Pre-tax operating income		**(6,309)**	**(6,117)**
Share in the net income of joint ventures	**1.2.1**	408	(289)
Income tax	**10**	263	676
Net income – Continuing operations		**(5,638)**	**(5,730)**
Losses from discontinued operations		(19)	(35)
Net income – Discontinued operations		**(19)**	**(35)**
Net income		**(5,657)**	**(5,765)**
Attributable to:			
The owners of the Company			
- Continuing operations		(5,590)	(5,769)
- Discontinued operations		(19)	(35)
Non-controlling interests			
- Continuing operations		(48)	39
- Discontinued operations		-	-
Earnings per share from continuing operations			
Basic (euro-cents per share)	**11**	(284.79)	(291.60)
Diluted (euro-cents per share)	**11**	(284.79)	(291.60)
Additional Information			
Operating income		**(5,109)**	**(3,475)**
Non-recurring (income)/expenses	**8**	2,068	2,952
Operating income before non-recurring (income)/expenses		**(3,041)**	**(523)**

2. OTHER COMPREHENSIVE INCOME

		12 months	12 months
In thousands of euros	***Notes***	**June 2021**	**June 2020**
Net income		**(5,657)**	**(5,765)**
Items that may subsequently be reclassified to net income			
Currency translation adjustments of controlled investments		1,611	(223)
Items that may not subsequently be reclassified to net income			
Actuarial gains and losses on provisions for retirement benefits	**6.3**	67	134
Deferred taxes related to the provision for retirement indemnities	**6.3**	(19)	(38)
Total income		**(3,998)**	**(5,892)**
Attributable to:			
The owners of the Company		(3,950)	(5,931)
Non-controlling interests		(48)	39

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Notes	30/06/2021	30/06/2020
Goodwill	**1.2 / 12.1**	63,381	50,066
Intangible assets	**12**	14,698	12,645
Property, plant and equipment	**13.1**	10,860	10,528
Assets related to rights of use of leased assets	**13.2**	6,425	4,446
Deferred tax assets	**10**	3,906	3,855
Interests in joint ventures	**14**	336	2,034
Other financial assets		125	485
Non-current assets		**99,731**	**84,059**
Inventories	**16**	13,270	13,445
Trade receivables	**17.1**	8,560	9,812
Other receivables	**17.3**	6,330	6,677
Cash and cash equivalents	**18**	13,654	21,219
Current assets		**41,814**	**51,153**
Total Assets		**141,545**	**135,212**
Issued capital	**19**	69,271	68,787
Share premiums		60,887	60,887
Other Reserves		(81,131)	(80,951)
Treasury shares		(198)	(188)
Currency translation adjustment reserve		(178)	(1,789)
Employee securities revaluation reserve		(201)	(249)
Reserves attributable to owners of the Parent Company		(20,719)	(15,110)
Non-controlling interests		23	71
Equity		**27,754**	**31,458**
Financial debt – non-current portion	**20**	23,811	22,436
Financial debt – non-current portion, with related parties	**20**	19,469	20,262
Liabilities from rights of use – non-current portion	**13.2**	4,433	2,766
Deferred tax liabilities	**10**	1,277	1,449
Deferred consideration – non-current portion	**22**	7,252	1,168
Provisions for retirement commitments	**6.3**	1,607	1,760
Non-current liabilities		**57,849**	**49,841**
Liabilities from rights of use – current portion	**13.2**	1,995	1,628
Financial debt – current portion	**20**	8,743	9,341
Financial debt – current portion, with related parties	**20**	3,175	5,854
Trade and other payables	**21**	23,753	21,777
Other creditors	**21.1**	14,778	12,731
Deferred consideration - current portion	**22**	2,232	962
Provisions	**23**	1,266	1,620
Current liabilities		**55,942**	**53,913**
Total Liabilities		**141,545**	**135,212**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Notes	12 months June 2021	12 months June 2020
Pre-tax operating income		**(6,308)**	**(6,117)**
Adjusted for:			
Losses from discontinued operations		(19)	(35)
Financial interest	**9**	1,209	2,345
Cost of share-based payments		304	572
Depreciation and amortisation of intangible assets and property, plant and equipment	**12/13**	8,567	8,384
Share of net income of joint ventures	**14**	(408)	(289)
(Reversal)/Charge to provisions		1,404	825
(Gains)/Losses on investments			300
Gains on acquisitions of subsidiaries			-
Amortisation of government grants		(16)	-
Gain or loss on disposal of intangible assets and property, plant and equipment		(9)	(3)
Cash flows from operations before working capital requirements		**4,724**	**5,982**
(Increase)/decrease in inventories		187	2,311
Increase/(decrease) in trade payables		1,720	(5,798)
(Increase)/decrease in trade receivables		1,614	6,233
(Increase)/decrease in other current assets and liabilities		734	4,423
Cash flows from operating activities		**8,979**	**13,151**
Repayment/(Payment) of taxes		150	15
Net cash flows generated by operating activities		**9,129**	**13,166**
Acquisitions of intangible assets	**12**	(4,063)	(3,036)
Acquisitions of property, plant and equipment	**13**	(3,467)	(1,458)
Proceeds from disposals of property, plant and equipment		82	76
Acquisition of subsidiaries, net of cash acquired	**1.2**	(887)	(1,533)
(Increase)/decrease in other financial assets		-	(4)
Cash flows from investing activities		**(8,335)**	**(5,955)**
Repayment of lease liabilities	**20**	(1,888)	(1,833)
Repayment of loans	**20**	(2,287)	(6,368)
Proceeds from the issue of loans and bonds	**20**	2,823	17,428
Repayment of loans from related parties	**20**	(4,518)	(3,127)
Interest paid		(1,427)	(1,733)
Interest income		-	-
Cash flows from financing activities		**(7,297)**	**4,367**
Increase/(decrease) in net cash and cash equivalents		**(6,503)**	**11,578**
Cash and cash equivalents, net of overdrafts – beginning of period		**15,376**	**3,781**
Increase/(decrease) in net cash and cash equivalents		(6,503)	11,578
Impact of exchange rate changes on net cash and cash equivalents		67	17
Cash and cash equivalents, net of overdrafts – end of period		**8,940**	**15,376**

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	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 01/07/2019	**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/free shares		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**
Income for the year							(5,609)	**(5,609)**	(48)	**(5,657)**
Other comprehensive income for the year, after income tax					1,611	48		**1,659**		**1,659**
Total income for the year					**1,611**	**48**	**(5,609)**	**(3,950)**	(48)	**(3,998)**
Capital Increase	484		(484)					**-**		**-**
Issuance of equity warrants/free shares			304					**304**		**304**
Treasury shares				(10)				**(10)**		**(10)**
Closing position 30/06/2021	**69,271**	**60,887**	**(81,131)**	**(198)**	**(178)**	**(201)**	**(20,719)**	**27,731**	**23**	**27,754**

CONTENTS

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 Les Aubépins, 18410 Argent-Sur-Sauldre, 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 Increased shareholding in Airweb

On 4 November 2020, Paragon ID SA strengthened its investment in its Airweb joint venture, acquiring an additional 30% of the company's share capital to raise its percentage of ownership to 80% and thus obtain control of it. The initial investment of 50% was remeasured at its fair value at the date of this new transaction, creating goodwill of €408 thousand.

Airweb is a leading French company in digital sales of transport tickets, and it publishes mobile and digital solutions. Airweb's teams are specialised in iOS and Android applications based on flexible technology.
Developed in 2015, the Airweb digital solution, which offers public transport users a complete solution for mobile ticketing and passenger information, has been successfully marketed since 2016 and chosen by over 70 local authorities.
In 2018, Airweb launched tixiPASS, a standardised and scalable ticketing solution derived from its original platform, for an interoperable public transport solution offering with minimal deployment cost.

This transaction is a major opportunity for the Group to strengthen its public transport offering for its customers in the form of a forward-looking product, which is the most comprehensive and scalable mobile ticketing platform on the market.

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 12 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.

As at 4 November 2020:

	Airweb In thousands of euros
Temporary allocation of purchase price	
Purchase price	**6,056**
Initial investment – 50% measured at fair value	2,361
New investment – 30%	1,667
Uncontrolled interest – 20% subject to a purchasing obligation in 2024	2,028
Valuation of assets and liabilities	
Intangible assets	741
Property, plant and equipment	392
Trade and other receivables	784
Cash and cash equivalents	574
Total assets acquired	**2,491**
Current trade and other payables	(1,256)
Borrowings and financial debt	(1,105)
Provisions	(86)
Total liabilities acquired	**(2,447)**
Fair value of assets and liabilities	**44**
Goodwill	**6,012**

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

Assets acquired	Valuation techniques
Intangible assets	*Royalty method, excess profit method:* The royalty method is based on an estimate of the discounted royalties that should be avoided following the acquisition of the software.

For the measurement of the fair value of the assets and liabilities acquired, the values of the software were analysed, based on the future income expected to be generated by those assets existing at the acquisition date. This caused the Group to recognise a value of €728k for the software developed and marketed by the company.

The value of the software will be amortised over a period of five years, which corresponds to the average life remaining at the acquisition date.

The cash impact of the transaction is as follows:

	In thousands of euros
Analysis of cash flow on acquisition	
Cost of acquisition of the 30% portion	(1,667)
Deferred acquisition cost payments	970
Net cash acquired	574
Cash flow net of acquisition	**(123)**

The revenues generated by Airweb since 31 October 2020 are included in the consolidated income statement and amount to €988 thousand. Over the period from 1 July 2020 to 30 June 2021, these revenues amounted to €1,251 thousand.

The loss incurred by Airweb since 31 October 2020 is included in the consolidated income statement and amounted to €338 thousand. Over the period from 1 July 2020 to 30 June 2021, this loss amounted to €999 thousand.

1.2.2 Acquisition of a majority stake in Apitrak

On 21 May 2021, Paragon ID SA acquired 51.3% of the securities of Apitrak SAS, thus obtaining control of this company. It also signed an agreement setting out the terms and conditions for the purchase of the remaining shares of the company through an option mechanism, which eventually requires the Group to purchase all of the shares of Apitrak. The value of these options is therefore recognised as a liability in the consolidated financial statements and added to the consideration paid for the purpose of calculating goodwill.

Apitrak is a French start-up specialising in Real-time locating systems (RTLS) using a wide range of technologies, in particular active and passive RFID, Bluetooth Low Energy (BLE), Wi-Fi and GPS.

Thanks to its RFiD DISCOVERY solution, Paragon ID is already the leader in the hospital sector in the United Kingdom in the tracking of critical equipment, personnel and patient protection, in the National Health Service (NHS) in particular, as well as in several large industrial companies. Founded in 2016, Apitrak entered into a partnership with Paragon ID last year, through the signing of a technological and commercial agreement to jointly develop and offer real-time location solutions, hosted in the cloud. During the year ended, the success of this partnership already led to the implementation of several systems combining the best functionalities available in the RFiD Discovery and Apitrak solutions. The “multi-technology” IoT (Internet of things) platform has already been adopted by industrial and logistics companies, in medical and manufacturing environments, in both France and the United Kingdom.

This operation constitutes a major opportunity for the Group to enhance its real-time geo-localisation product range in France.

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 12 months following the effective date of the business combination. A temporary allocation of the purchase price was made by the Group; it is presented in the following table.

As at 21 May 2021:

	Apitrak In thousands of euros
Temporary allocation of purchase price	
Purchase price	**5,969**
Initial investment 51.3% - Disbursed at closing	977
Initial investment 51.3% - Deferred payment	175
Remaining non-controlling interests' share 7.6% - Deferred payment at a fixed price in 2023	197
Remaining founders' shares 41.1% - In two tranches in 2024 and 2025	4,620
Valuation of assets and liabilities	
Intangible assets	443
Property, plant and equipment	5
Inventories	12
Trade and other receivables	140
Cash and cash equivalents	214
Total assets acquired	**814**
Current trade and other payables	(146)
Borrowings and financial debt	(494)
Total liabilities acquired	**(640)**
Fair value of assets and liabilities	**174**
Goodwill	**5,795**

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

Assets acquired	Valuation techniques
Intangible assets	*Royalty method, excess profit method:* The royalty method is based on an estimate of the discounted royalties that should be avoided following the acquisition of the software.

For the measurement of the fair value of the assets and liabilities acquired, the values of the software were analysed, based on the future income expected to be generated by those assets existing at the acquisition date. This caused the Group to recognise a value of €443 thousand for the software developed and marketed by the company.
The value of the software will be amortised over a period of five years, which corresponds to the average life remaining at the acquisition date.

The cash impact of the transaction is as follows:

	In thousands of euros
Analysis of cash flow on acquisition	
Cost of acquisition	(5,969)
Deferred acquisition cost payments	4,992
Net cash acquired	214
Cash flow net of acquisition	**(763)**

Revenues generated by Apitrak since 31 May 2021 is included in the consolidated income statement and amounted to €3 thousand. Over the period from 1 July 2020 to 30 June 2021, these revenues amounted to €359 thousand.

The loss incurred by Apitrak since 31 May 2021 is included in the consolidated income statement and amounted to €29 thousand. Over the period from 1 July 2020 to 30 June 2021, profit amounted to €16 thousand.

1.2.3 Impact of the Covid-19 health crisis on activity

Revenues of the Transport & Smart Cities division (32% of the activity in 2020/21) halved during financial year 2020/21, penalised by unusually low passenger traffic in almost all cities and consequently by very low consumption of tickets and transport cards.

At the same time, technologies for digital ticketing in SaaS mode (Software-as-a-Service) were very successful in 2020/21 and are a growth driver for Paragon ID, through its 80%-owned subsidiary Airweb, over the coming years.

The e-ID business (now accounting for only 7% of annual revenue) also fell sharply due to lower demand for passports, both in Europe and the United States, resulting in a low level of orders for e-covers.

The Traceability & Brand Protection division (33% of the business in 2020/21), buoyed by the gradual return to more normative production levels in industry, had a very strong year-end, enabling it to end the financial year up slightly (+1%). The RFID label activities and the multiple successes of the RFiD Discovery solution, for the monitoring of medical and industrial equipment, notably contributed to the growth of this division in 2020/21.

Lastly, the Payment division once again experienced explosive growth throughout the financial year (+69% annual growth) thanks to contactless payment cards, AmaTech licence revenues paid by manufacturers of metal payment cards, and the strong commercial momentum of Thames Technology (consolidation over 12 months in 2020/21, compared to five months in 2019/20). Organic growth in the Payment division was +31% in 2020/21. It represents 28% of Paragon ID’s annual revenue in 2020/21, compared to 13% in 2019/20 and 2% in 2018/19.

2. ACCOUNTING RULES AND METHODS

2.1. Scope of consolidation

The scope of consolidation at 30 June 2021 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.

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 at 30 June 2021. The IFRS standards as adopted by the European Union may be consulted on the European Commission's website.

These accounting principles are identical to those used to prepare the annual consolidated financial statements for the financial year ended 30 June 2020, with the exception of the new adoptions mentioned below.

On 1 July 2020, the Group also adopted the following standards that entered into force:

- 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; The application of this interpretation does not have a material impact on the financial year for the Group.
- 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; The application of this interpretation does not have a material impact on the Group.
- 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 IBORs on financial reporting. The amendments apply to financial years beginning on or after 1 January 2020. 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 30 June 2021, which mainly include:

- IFRS 17 & IFRS 4: On 25 June 2020, the IASB published "Amendments to IFRS 17" to address the concerns and implementation challenges that were identified after the publication of IFRS 17 "Insurance Contracts" in 2017. The changes are effective for annual periods beginning on or after 1 January 2023, with early application being allowed. The IASB also published "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)" to extend the fixed expiry date of the amendment also to annual periods beginning on or after 1 January 2023. The application of this interpretation should not have a material impact on the Group.

- IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16: On 27 August 2020, the IASB finalised the amendments of phase 2 and published the reform of the interest rate benchmark - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that may affect financial reporting after the reform of a benchmark interest rate, including its replacement by alternative benchmark rates. The changes are effective for annual periods beginning on or after 1 January 2021, with early application being allowed. The application of this interpretation should not have a material impact on the Group.

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 2021. They will be submitted to the Annual General Meeting for approval.

2.3.1 Consolidation principles

The Group consolidates:

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 continuity of operations over the next 12 months depends on the continued support of its main shareholder in financing the Group's development focuses and its reorganisations.
The main shareholder will continue, as it has done since its takeover, to support the Group financially, as well as in terms of human resources, over the next 12 months.
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;
- the software recognised in the context of the Group's takeover of Airweb SAS.

Patents, trademarks and 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 acquisition 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 carrying values 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 carrying value, the carrying 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 carrying 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 carrying value does not exceed the carrying 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:
    - Patents used for products currently sold,
    - 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 value 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 carrying 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 carrying 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 carrying 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. Leases

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 values 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

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
In thousands of euros	June 2021	June 2020
EMEA	43,856	56,323
UK	29,936	34,357
US	10,156	17,318
Revenues	**83,948**	**107,998**

12 months ended 30 June 2021, In thousands of euros	EMEA	UK	US	Total
Revenues	**43,856**	**29,936**	**10,156**	**83,948**
Cost of sales	(22,875)	(14,271)	(4,433)	(41,579)
Direct Workforce	(4,637)	(3,006)	(1,726)	(9,369)

Other direct production costs	(2,898)	(1,859)	(673)	(5,430)
Income after direct costs	**13,446**	**10,800**	**3,324**	**27,570**
Centralised production and R&D management costs	(5,092)	(2,492)	(327)	(7,911)
Commercial expenses	(2,742)	(3,502)	(183)	(6,427)
Administrative costs	(5,557)	(1,704)	(444)	(7,705)
Other income and expenses	(2,599)	(4,777)	(1,192)	(8,568)
Other non-recurring income and expenses	(1,938)	(105)	(25)	(2,068)
Operating income	**(4,482)**	**(1,780)**	**1,153**	**(5,109)**

12 months ended 30 June 2020, In thousands of euros	EMEA	UK	US	Total
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-recurring income and expenses	(916)	(1,947)	(89)	(2,952)
Operating income	**(4,094)**	**(2,766)**	**3,383**	**(3,475)**

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**
In thousands of euros	**June 2021**	**June 2020**
France	32,290	38,455
United Kingdom	24,150	29,415
Other European countries	11,527	10,293
North America	9,454	19,899
Latin America	823	2,085
Middle East Africa	3,713	5,032
Others	1,990	2,818
Revenues	**83,948**	**107,998**

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: 46.6%; United Kingdom: 49.2%; Ireland: 2.3%; United States: 1.1%; Other: 0.8%.

4. REVENUES

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

	12 months	12 months	12 months	12 months
In thousands of euros	EMEA	UK	US	June 2021
eID	2,591		3,506	6,097
Mass Transit	15,881	8,951	2,156	26,988
Traceability and Brand Protection	22,761	4,721		27,482
Payment	2,623	16,264	4,494	23,381
Revenues	**43,856**	**29,936**	**10,156**	**83,948**

	12 months	12 months	12 months	12 months
In thousands of euros	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**

The Covid-19 health crisis had a significant impact in particular on the eID and Mass Transit product lines, which were severely affected by the crisis with a sharp reduction in traffic in public transport linked to the various lockdown periods in different countries around the world and the absence of international travel, which greatly reduced the need to obtain passports.
The Traceability and Brand Protection and Payment product lines resisted the health crisis better and are accordingly growing, with strong growth for payments, which is the least impacted business, and demand in payment cards remaining high in the context of the health crisis.

5. COST OF SALES

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

In thousands of euros	12 months June 2021	12 months June 2020
Purchase of materials & goods	30,948	45,137
Subcontracting and royalties	10,631	11,603
Cost of sales	**41,579**	**56,740**

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: the ratio of cost of sales to revenues was down slightly year-on-year to 49.5% (2020: 52.5%).

6. EMPLOYEE COSTS

6.1. Workforce

The Group's workforce is as follows:

Workforce at end of month	June 2021	June 2020
Direct production employees	283	368
Indirect production employees	141	165
Sales	76	70
Administrative services	63	66
Workforce at end of month	**562**	**669**

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:

In thousands of euros	12 months June 2021	12 months June 2020
Gross salaries	19,335	22,512
Social security charges	4,795	4,820
Defined-benefit pension costs	235	134
Share-based payments	304	572
Employee costs	**24,669**	**28,028**

The decrease in employee costs is linked to the reduction in the number of employees, resulting from staff reductions and the lower costs incurred to deal with the health crisis and the resulting decline in activity. The average number of employees in financial year 2021 was 581, compared to 627 in financial year 2020.

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
In thousands of euros	June 2021	June 2020
Contributions included in net income	235	134
Defined-contribution pension plans	**235**	**134**

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		
	2021	**2020**
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	Executive employees: 65, Non-executive employees: 62; 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
Annual rate of wage increases	executive employes and non-executive employees: 1.5%	executive employees and non-executive employees: 1.5%
Mortality table	INSEE 2018	INSEE 2018
Discount rate	0.86%	0.85%

Assumptions for Paragon Identification SAS		
	2021	**2020**
Collective agreement	Printer (NAF Code 0184).	
Departure age	Executive employees: 65, Non-executive employees: 62; voluntary departure	Executive employees: 65, Non-executive employees: 62; voluntary departure
Social security expense rate	43%	43%
Turnover rate	2.6% - 0%, Specific by tranche	2.6% - 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: 1.5%
Mortality table	INSEE 2018	INSEE 2018
Discount rate	0.86%	0.78%

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:

In thousands of euros	12 months June 2021	12 months June 2020
Cost of services rendered during the year	89	154
Financial expense related to the cost of services rendered	12	11
Partial liquidation of the plan as part of restructuring	(64)	-
Components of the cost of defined benefits recognised in net income	**37**	**165**
Revaluation of net defined benefit liability:		
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(67)	(134)
Components of the cost of defined benefits recognised in comprehensive income	**(67)**	**(134)**

In thousands of euros	12 months June 2021	12 months June 2020
Defined-benefit obligation at the beginning of the year	1,760	1,743
Consolidated during the financial year	51	-
Cost of services rendered during the year	90	154
Financial expenses	12	11
Partial liquidation of the plan as part of restructuring	(64)	-
Benefits paid	(175)	(14)
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(67)	(134)
Defined-benefit obligation at the end of the year	**1,607**	**1,760**

The Group's obligation was revalued downwards following the departure of a certain number of employees. In addition, the costs of services rendered and financial expenses are largely offset by the 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:

In thousands of euros	12 months June 2021	12 months June 2020
Transport	1,914	3,053
Fees	3,718	2,491
Leases	445	445
Maintenance	1,430	2,015
Insurance costs and charges	2,500	2,900

Travelling expenses	396	1,076
Others	1,771	3,389
Other operating costs	**12,174**	**15,369**

Fees include the cost of filing patents as well as the cost of certifying and qualifying the Group's sites. The reductions in travel, maintenance and transport costs are all linked to the pandemic crisis, which caused a drop in travel as well as a decrease in activity, leading to a reduction in the cost of transporting goods and maintenance to be carried out on machines that were used less.
Other operating expenses consist mainly of general subcontracting, which was also reduced due to the decline in activity and the Group's effort to reduce its costs in the context of the pandemic.

8. OTHER NON-RECURRING INCOME AND EXPENSES

The Group presented part of its costs as non-recurring 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
In thousands of euros	June 2021	June 2020
Redundancy costs (excluding the Employment Protection Plan)	1,380	1,008
Employment Protection Plan – reversals not covered by provisions	(86)	(45)
Fees related to the closure and/or acquisition of subsidiaries	25	138
URSAAF-DGCCRF penalties	-	54
Labour and customer litigation costs	-	370
Costs of closing accounts following the acquisition of subsidiaries	-	52
Costs of unreplaced employees	725	1,320
Training of former employees	10	-
Expert cost of restructuring plan	14	-
Interim management support	-	55
Non-recurring income and expenses	**2,068**	**2,952**

- Redundancy costs (excluding the Employment Protection Plan) relate to redundancies within Group entities outside the framework of the Employment Protection Plan that affected 18 employees in France;
- Income related to the Employment Protection Plan (*Plan de 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 work undertaken on potential future acquisitions of the Group;

- The costs of unreplaced employees relate to the cost of employees who left the Group during the period without being replaced;
- The costs of the expert appointed by the ESC to review the restructuring plan prepared within the Group's French entities that were provisioned following its announcement.

9. FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	12 months	12 months
In thousands of euros	June 2021	June 2020
Interest on bank deposits		
Other financial income	352	11
Financial income	**352**	**11**
Interest on leases	(129)	(122)
Interest on bank loans	(161)	(285)
Interest on factoring agreements	(230)	(354)
Other financial expenses	(1,041)	(1,595)
Financial expenses	**(1,561)**	**(2,356)**
Total financial income/(expenses)	**(1,209)**	**(2,345)**

Other financial expenses consist of interest on loans received from the Paragon Group, whose expense for the past year represented €994 thousand (June 2019: €1,582 thousand), most of which is related to non-convertible bonds attributed to Paragon, accounts receivable and bank charges.

10.INCOME TAX

The effective tax rates used for the financial year are as follows depending on the country: France: 28% (2020: 28%); UK: 19% (2020: 19%); United States: 29.5% (2020: 29.5%); China: 25% (2020: 25%); Ireland: 12.5% (2020: 12.5%).

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

	12 months	12 months
In thousands of euros	June 2021	June 2020
Current tax (income)/expense	(11)	(136)
Deferred tax (income)/expense	(252)	(540)

Income tax (income)/expense	**(263)**	**(676)**

The deferred tax income mainly comes from the reversal of deferred taxes recognised on the financial year of allocation of the purchase price of Bemrose Booth Paragon, partially offset by the use of a portion of the stock of deferred tax assets recognised on Amatech tax loss carryforwards.

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 €21,075 thousand for the financial year ended 30 June 2021.

Deferred Tax Assets

PARAGON ID SA

At 30 June 2020, PARAGON ID SA had recognised deferred tax assets amounting to €1,470 thousand, which correspond to the activation 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 2021, 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 2022, 2023 and 2024 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 +23% and +48% per annum through organic growth based on 2021 revenues (this measure is in line with the Group's growth ambitions) with a return to a pre-Covid level of activity in the 2022/2023 financial year;
- A continued recovery of the margin as a result of the combination of (i) the maintenance of a low cost base despite the upturn in activity, (ii) the continued transfer of labour-intensive activities to the Group's low cost production sites, (iii) the extension of the outsourcing of the production of entry-level products to industrial partners, and (iv) the internal refocusing on products with higher added value and services generating recurring revenues with high margins.

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 2020, 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 2021, the Group has confirmed the amount of deferred tax assets in conjunction with the amount of tax losses available to the company, which total €2,076 thousand.

To do this, the Group first determined the taxable income of AmaTech Group Ltd for financial years 2022, 2023 and 2024 for which the tax 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, €260 thousand in deferred taxes were recognised out of the potential €260 thousand.

Thames Technology Ltd
At 30 June 2021, Thames Technology Limited had tax losses amounting to £4,180 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 2021 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 £1,045 thousand.

Deferred Tax Liabilities
Bemrose Booth Paragon
At 30 June 2019, the Group had recognised deferred tax liabilities in the amount of €681 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 €132 thousand were used during the financial year.

Thames Technology Ltd
At 30 June 2021, 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:

In thousands of euros	30/06/2021	30/06/2020

Deferred tax assets – balance at beginning of period	**3,855**	**2,920**
Result of acquisition	-	832
Partial capitalisation/(Utilisation) of deferred tax assets – Losses carried forward	(251)	-
Capitalisation/(Reversal) of deferred tax assets – Temporary difference impacting net income	271	141
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(19)	(38)
Foreign exchange impact	12	
Deferred tax assets – balance at end of period	**3,868**	**3,855**

Deferred tax liabilities – balance at beginning of period	**1,449**	**1,771**
Result of acquisition	20	269
Use of deferred tax liabilities – Temporary difference impacting net income	(232)	(399)
Foreign exchange impact	40	(5)
Deferred tax liabilities – balance at end of period	**1,277**	**1,449**

Net deferred taxes – balance at beginning of period	**2,406**	**706**
Deferred tax resulting from acquisition	(20)	563
Partial capitalisation/utilisation of deferred taxes – Losses carried forward	(251)	-
Use of deferred taxes - Temporary difference impacting net income	503	540
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(19)	(38)
Foreign exchange impact	(28)	5
Net deferred taxes – balance at end of period	**2,591**	**2,406**

11. EARNINGS PER SHARE

	12 months	**12 months**
Earnings per share from continuing operations	**June 2021**	**June 2020**
Basic (euro-cents per share)	(282.35)	(289.59)
Diluted (euro-cents per share)	(282.35)	(289.59)
Earnings per share from discontinued operations		
Basic (euro-cents per share)	(0.96)	(1.77)
Diluted (euro-cents per share)	(0.96)	(1.77)

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
Earnings per share from continuing operations	**June 2021**	**June 2020**
Earnings for the year attributed to the owners of the Company, in thousands of euros	(5,588)	(5,731)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,979	1,979
Earnings per share from discontinued operations		
Earnings for the year attributed to the owners of the Company, in thousands of euros	(19)	(35)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,979	1,979

During the month of February 2021, the Group carried out a capital increase resulting from the definitive acquisition of the 13,816 free shares granted in accordance with the decisions of the Board of Directors of 9 July 2019 and 12 December 2018. 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:

In thousands of euros	30/06/2021	30/06/2020
Goodwill related to the consolidation of BBP	32,550	31,079
Goodwill related to the consolidation of ASK	18,208	18,208
Goodwill related to the consolidation of Burall	222	212
Goodwill related to the consolidation of Thames	594	567
Temporary goodwill related to the entry of Airweb within the scope of consolidation	6,012	-
Goodwill related to the consolidation of ASK	5,795	-
Goodwill – balance at end of period	**63,381**	**50,066**

The changes presented between the two closings are due to currency differences and the acquisition of Airweb and Apitrak during the 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 of products facilitating the management of public transport access (Dual Cards and Mobile Applications; Contactless cards; Contactless tickets; Magnetic tickets; Customisation);
- 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:

In thousands of euros	30/06/2021	30/06/2020
eID	1,414	1,375
Mass Transit	42,573	37,277
Traceability and Brand Protection	6,993	10,846
Payment	594	567
Airweb/Apitrak - acquisition for the period, not allocated	11,807	-
Goodwill – balance at end of period	**63,381**	**50,066**

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 carrying value, the difference is recognised as an impairment loss.
The Group reviews the carrying 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 10% (2020: 12.4%).
The operating income/revenue ratios applied vary from 9% to 32% depending on the CGU (2020: 8.7% to 19.2%).
The perpetual growth rates are based on the current European growth rate of 2.3% (2020: 1.2%).

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 2021.

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 2021.

In percentage points	eID	Mass Transit	Traceability and Brand Protection	Payment
Increase in the discount rate	+17.2	+2.3	+12.4	+74.8
Deterioration in the operating income/revenue ratio	-5.7	-3.3	-6.9	-24.4
Decrease in budgeted revenue growth	-13.2	-19.3	-54.8	-47.3

Following this review, the Group concluded that the recoverable values of the eID, Mass Transit, Traceability and Brand Protection and Payment CGUs exceeded their carrying value in the financial statements at 30 June 2021.

12.2. Intangible assets

In thousands of euros	30/06/2021	30/06/2020
Net carrying values		
Development costs	4,393	1,608
Patents	1,590	1,863
Licences and Customer Contracts	5,243	6,015
Software	846	471
Others	2,626	2,688
Balance at end of period	**14,698**	**12,645**

In thousands of euros	Development costs	Patents	Licences and Customer Contracts	Software	Others	Total
Gross values						
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**
Consolidated during the period	665			1,673	3	3,341
Acquisitions of fixed assets			889	62	107	1,058
Internally-generated fixed assets	3,003					3,003
Asset retirements	(17)		(1,107)	(346)		(1,470)
Transfer of fixed assets	98				(98)	-
Effect of exchange rate impacts	35		446	44	19	544
Balance at 30 June 2021	**10,308**	**3,299**	**9,611**	**2,815**	**2,963**	**29,996**
Cumulative depreciation and impairment losses						
Balance at 30 June 2019	**(4,223)**	**(1,163)**	**(3,274)**	**(817)**	**(60)**	**(9,537)**
Consolidated during the period	(15)					(15)
Depreciation	(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)**
Consolidated during the period				(1,157)		(2,168)
Depreciation	(992)	(273)	(1,915)	(216)	(86)	(3,482)
Asset retirements	5		1,107	346		1,458
Effect of exchange rate impacts	(12)		(192)	(31)	(7)	(242)
Balance at 30 June 2021	**(5,915)**	**(1,709)**	**(4,368)**	**(1,969)**	**(337)**	**(15,309)**

Over the financial year, the amount of research and development expenses capitalised was €3,060 thousand (2020: €1,176 thousand), the increase being mainly due to (i) the acquisition during the financial year of Airweb, whose main activity is the development of its mobile ticket platform, (ii) the reinforcement of R&D activities on key projects of the real-time asset location systems division (United Kingdom), RFID labels for large retailers (France), multi-transport ticket validators (France), the continuous development of RFID metal payment card technologies (Ireland), to name but a few. The amount of research and development costs recognised as expenses amounted to €1,822 thousand for the financial year ended 30 June 2021 (as at 30 June 2020: €1,917 thousand).

At 30 June 2021, of the total capitalised development costs, €1,137 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 Other category above.

This "other" category also includes assets related to acquired brands (Thames Card Technology Ltd).

When measuring the fair value of the Airweb and Apitrak assets and liabilities acquired, the value of the software supporting the systems/platforms sold was analysed, based on the future revenues to be generated by these assets existing at the acquisition date. This led the Group to recognise a value of €728 thousand for the software developed by Airweb and €443 thousand for that of Apitrak.
This was reflected at the acquisition date and had a positive impact on the value of intangible assets at 30 June 2021.

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

13.1. Property, plant and equipment

In thousands of euros	30/06/2021	30/06/2020
Net carrying values		
Land and Buildings	468	323
Industrial Equipment	9,060	9,151
Furniture and Fittings	1,129	999
Computer Equipment	119	49
Others	84	6
Balance at end of period	**10,860**	**10,528**

	Assets held					
In thousands of euros	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Others	Total
Gross values						
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**
Acquisitions of fixed assets	222	2,568	335	259	83	3,467
Consolidated during the period		92	14	8		114
Disposals of fixed assets		(1,358)	(891)	(47)		(2,296)
Asset retirements		(58)				(58)
Effect of exchange rate impacts	24	782	44	25		875
Balance at 30 June 2021	**2,089**	**60,648**	**1,776**	**1,943**	**97**	**66,553**

In thousands of euros	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 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)**
Cumulative depreciation on acquisition		(76)	(9)	(8)		(93)
Depreciation	(77)	(2,746)	(193)	(195)	(5)	(3,216)
Disposals of fixed assets		1,285	873	47		2,205
Asset retirements		62				62
Effect of exchange rate impacts	(24)	(642)	(43)	(19)		(728)
Balance at 30 June 2021	**(1,621)**	**(51,588)**	**(647)**	**(1,824)**	**(13)**	**(55,693)**

The gross value of fully depreciated property, plant and equipment at 30 June 2021 was €36,270 thousand (2020: €40,486 thousand).

13.2. Right of use of leased assets

In thousands of euros	30/06/2021	30/06/2020
Net carrying values		
Land and Buildings	5,328	2,772
Industrial Equipment	763	1,264
Others	334	410
Balance at end of period	**6,425**	**4,446**

In thousands of euros	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)
Effect of exchange rate impacts	(63)	(31)			(10)	(104)
Balance at 30 June 2020	**3,585**	**2,420**			**685**	**6,930**
Consolidated during the period	250				126	376
Acquisitions of fixed assets	2,850				81	2,931
Resulting from the revaluation of assets	528	(9)			22	541
Asset retirements	(319)				(32)	(351)
Effect of exchange rate impacts	47	13			8	68
Balance at 30 June 2021	**6,941**	**2,424**			**890**	**10,495**

Cumulative depreciation and impairment losses

Balance at 30 June 2019	-	-	-	-	-	-
Transfer from assets held		(877)				(877)
Depreciation	(811)	(535)			(277)	(1,623)
Resulting from the revaluation of assets	(17)					(17)
Disposals of fixed assets		240				240
Effect of exchange rate impacts	15	16			2	33
Balance at 30 June 2020	**(813)**	**(1,156)**			**(275)**	**(2,484)**
Depreciation	(1,087)	(498)			(293)	(1,878)
Asset retirements	319				16	335
Effect of exchange rate impacts	(32)	(7)			(4)	(43)
Balance at 30 June 2021	**(1,613)**	**(1,661)**			**(556)**	**(4,070)**

13.2.1 Liabilities related to rights of use of leased assets

								Of which	
In thousands of euros	30/06/20	New Borrowings	Resulting from revaluations	Accrued Interest	Repayment	Entry into the Scope of Consolidation	30/06/21	Current Share	Non-Current Share
Lease liabilities	**4,394**	**2,944**	**540**	**134**	**(1,888)**	**305**	**6,428**	**1,995**	**4,433**

The increase in liabilities resulting from leases is the consequence of the extension and renewal of certain leases, mainly leases on buildings occupied by certain subsidiaries of the division for terms ranging from three to five years.

13.2.2 Reconciliation of assets and liabilities for rights of use

In thousands of euros	Balance at 30/06/2021	Balance at 30/06/2020
Net Value of assets related to rights of use of leased assets	**6,425**	**4,445**
Accrued interest	3	(67)
Lease liabilities	**6,428**	**4,378**

14. INTERESTS IN JOINT VENTURES

14.1. I2PL

At 30 June 2021, 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 2021. 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 2020 should be recovered once the liquidation process has been completed given the remaining balances owed by the company. No new risk has been identified on the recoverable value of the joint venture and the value of €308 thousand, taking into account the situation and the increased risk brought by the liquidation process that was present in the financial statements of the Group at 30 June 2020 has been maintained as at 30 June 2021.

15. SUBSIDIARIES

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

			Percentage of interest and voting rights held by the Group		
Name of subsidiary	**Main activity**	**Place of incorporation and operation**	**30 June 21**	**30 June 20**	**Change in scope of consolidation over the period**
Paragon Identification SAS	RFID product distribution and manufacturing	France, Argent sur Sauldre	100%	100%	In line with IFRS 3, the company being a long-term subsidiary of the accounting acquirer (Paragon France SAS, which was the subject of a simplified merger by absorption by Paragon ID SA with retroactive effect from 1 July 2018) it is

					therefore fully consolidated within the historical consolidations.
Paragon Identification tech SAS	RFID product 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 product 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 product distribution and manufacturing	Romania, Otopeni	100%	100%	The company has been fully consolidated since March 2017.
Burral Infosmart Ltd	RFID product 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	Licenced 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	Licenced 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%	99.72%	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%	99.72%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
AmaTech USA Inc	Licencing of AmaTech technologies	USA	99.72%	99.72%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
Thames Card Technology Ltd	RFID product distribution and manufacturing	United Kingdom, Rayleigh	100%	100%	The company has been fully consolidated since November 2019 and the acquisition of Thames by Bemrose Booth Paragon.
Airweb SAS	Mobile and digital solutions	France, Saint Cloud	80%	50%	The company has been fully consolidated since November 2020 and the acquisition by Paragon ID SA of a majority stake in Airweb SAS.

Apitrak SAS	Real-time locating systems	France, Meylan	51.3%	-	The company has been fully consolidated since June 2021 and the acquisition by Paragon ID SA of a majority stake in Apitrak SAS.

16. INVENTORIES

Inventories break down as follows:

In thousands of euros	30/06/2021	30/06/2020
Materials	8,566	8,534
In progress	767	800
Finished and semi-finished products	3,937	4,111
Inventories	**13,270**	**13,445**

The Group's inventory levels at 30 June 2021 are comparable to those at 30 June 2020. However, the Group has a very different approach to inventory management compared to 30 June 2020. At that time, the Group was in the process of reducing its inventories due to the reduction in activity that was expected for the first months of financial year 2021. At 30 June 2021, however, the Group was in the process of increasing its inventories once again, anticipating an upturn in activity in the coming months with the gradual resumption of travel and the reopening of borders in parallel with the progress of the vaccination phases in different countries around the world.

The net amounts presented above include impairment of €1,546 thousand at 30 June 2021 (30 June 2020: €1,274 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.

In thousands of euros	30/06/2021	30/06/2020

Trade receivables	8,985	10,445
Provision for expected credit loss	(425)	(634)
Trade receivables	**8,560**	**9,811**
Advance payments	1,340	1,213
Other debtors	4,989	5,464
Trade receivables and related accounts	**14,889**	**16,488**

17.2. Transfer of financial assets

17.2.1 Deconsolidating factoring agreement

The Group sold most of the trade receivables of Paragon ID SA, Paragon Identification SAS, Bemrose Booth Paragon Ltd, Thames Card Technology Ltd and ASK InTag Llc 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.

The carrying value of the trade receivables sold and the carrying value of the reduction in related receivables are detailed in the table below by reporting date:

Receivables transferred to the factoring company under a deconsolidating factoring agreement		
In thousands of euros	30/06/2021	30/06/2020
Amount of receivables sold	12,855	12,524
Reserves and guarantees	(1,569)	(790)
Amount of deconsolidated receivables	**11,286**	**11,734**

17.3. Other receivables

In thousands of euros	30/06/2021	30/06/2020
Taxes receivable	831	1,471
Grants receivable	3,129	1,773
Advance payments	1,340	1,213
Others	1,030	2,220
Other receivables	**6,330**	**6,677**

Grants receivable mainly represent Research Tax Credit receivables. These receivables are recoverable by charging against the current tax liability. 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 2021, 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:

In thousands of euros	30/06/2021	30/06/2020
Cash	13,654	21,219
Cash equivalents	-	-
Sub-total Cash and cash equivalents (balance sheet)	**13,654**	**21,219**
Bank overdrafts	(4,714)	(5,843)
Cash and cash equivalents, net of overdrafts (TFT)	**8,940**	**15,376**

The net cash flow is largely explained by the fact that the Group continued its external growth as well as the strengthening of its industrial tool during the period of reduced activity due to the health crisis, in order to be the best prepared it can be from the start of the recovery of activity linked to the end of the crisis.

19. SHARE CAPITAL

In thousands of euros	30/06/2021	30/06/2020
Share capital	69,271	68,787
Share premium	60,887	60,887
Treasury shares	(193)	(188)
Issued capital	**129,965**	**129,486**

19.1. Number of shares and voting rights.

	Number of shares	Share capital	Share premium	Treasury shares
	In thousands of shares	*In thousands of euros*		
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)**
Balance at 1 July 2020	**1,965**	**68,787**	**60,887**	**(188)**
Other capital increases	14	484	-	-
Issuance of equity warrants	-	-	-	-
Treasury shares	-	-	-	(5)
Balance at 30 June 2021	**1,979**	**69,271**	**60,887**	**(193)**

Voting rights break down as follows:

In thousands of shares	30/06/2021	30/06/2020
Ordinary shares with single voting rights	1,902	1,888
Shares with double voting rights	77	77
Total number of shares	**1,979**	**1,965**
Voting rights before elimination of treasury shares	**2,056**	**2,043**
Treasury shares	(5)	(5)

Total number of voting rights	**2,041**	**2,038**

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. 1,627 shares at 30 June 2021. 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 2021, 199,584 equity warrants and free shares had been subscribed for and remained outstanding. They break down as follows:

	Number of rights		**Conversion into number of shares**			
Number of shares	**30/06/2021**	**30/06/2020**	**Rate of conversion into shares**	**30/06/2021**	**Rate of conversion into shares**	**30/06/2020**
BSA 2015-1	151,000	151,000	35.00	4,311	35.00	4,311
BSA 2018-1	45,500	45,500	1.00	45,500	1.00	45,500
AGA 2018-1	3,084	16,900	1.00	3,084	1.00	16,900
Total	**199,584**	**213,400**		**52,895**		**66,711**
As a % of total shares in the Company				**0.27%**		**0.35%**

The change in outstanding equity warrants and free shares between 1 July 2020 and 30 June 2021 is as follows:

En titres	BSA 2012	BSA 2012-3	BSA 2015-1	BSA 2018-1	AGA 2018-1	Total
Solde au 1er Juillet 2019	**129 420**	**91 340**	**151 000**	**-**	**-**	**371 760**
Souscrits	-	-	-	45 500	16 900	62 400
Convertis	-	-	-	-	-	-
Caducs	(129 420)	(91 340)	-	-	-	(220 760)
Solde au 30 Juin 2020	**-**	**-**	**151 000**	**45 500**	**16 900**	**213 400**
Solde au 1er Juillet 2020	**-**	**-**	**151 000**	**45 500**	**16 900**	**213 400**
Souscrits	-	-	-	-	-	-
Convertis	-	-	-	-	(13 816)	(13 816)
Caducs	-	-	-	-	-	-
Solde au 30 juin 2021	**-**	**-**	**151 000**	**45 500**	**3 084**	**199 584**

In shares	BSA 2012	BSA 2012-3	BSA 2015-1	BSA 2018-1	AGA 2018-1	Total
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**
Balance at 1 July 2020	**-**	**-**	**151,000**	**45,500**	**16,900**	**213,400**
Subscribed	-	-	-	-	-	-

Converted	-	-	-	-	(13,816)	(13,816)
Lapsed	-	-	-	-	-	-
Balance at 30 June 2021	**-**	**-**	**151,000**	**45,500**	**3,084**	**199,584**

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 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.

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 de Bons exerçables
Présence du bénéficiaire dans les effectifs de la Société, de la société Grenadier Holdings PLC ou des sociétés qu'elles contrôlent au sens de l'article L.233-3 à la date du 1er janvier 2020	33%
Présence du bénéficiaire dans les effectifs de la Société, de la société Grenadier Holdings PLC ou des sociétés qu'elles contrôlent au sens de l'article L.233-3 à la date du 1er janvier 2021	33%
Présence du bénéficiaire dans les effectifs de la Société, de la société Grenadier Holdings PLC ou des sociétés qu'elles contrôlent au sens de l'article L.233-3 à la date du 1er janvier 2022	33%
Total	**100 %**

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 €150 thousand for the financial year.

19.2.3 Free shares 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
Décision d'attribution	Conseil d'administration du 12 décembre 2018	Conseil d'administration du 9 juillet 2019	Conseil d'administration du 9 juillet 2019
Nombre de titres	1 216	12 600	3 084
Fin de la période d'acquisition	31 juillet 2020	31 janvier 2021	31 janvier 2022
Fin de la période de conservation	31 juillet 2021	31 janvier 2022	31 janvier 2023
Proportion devant être conservée au nominatif	10%	10%	10%

	AGA 0720	AGA 0121	AGA 0122
Allocation decision	Board of Directors meeting of 12 December 2018	Board of Directors' meeting of 9 July 2019	Board of Directors' meeting of 9 July 2019
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 €152 thousand for the financial year.

20. FINANCIAL DEBT

The tables concerning financial debt below include the breakdown of lease liabilities:

In thousands of euros	30/06/2021	30/06/2020
Financial debt – current portion	13,912	16,822
Financial debt – non-current portion	47,713	45,464
Borrowings	**61,625**	**62,286**

Changes in financial debt can be explained as follows:

									Of which	
In thousands of euros	30/06/20	New Borrowings	Resulting from revaluations	Accrued Interest	Repayment	Entry into the Scope of Consolidation	Converted into shares	30/06/21	Current Share	Non-Current Share
Bank overdrafts	5,843	-	-	-	(1,129)	-	-	4,714	4,714	-
Borrowings from:										

- related parties (Grenadier Holdings Plc)	26,116	-	-	1,046	(4,519)	-	-	22,643	3,174	19,469
- government	1,064		-		(524)	-	-	540	-	540
Bank borrowings	24,857	2,823	-	-	(1,775)	1,395	-	27,300	4,029	23,271
Receivables sold to factoring	12		-	-	(12)	-	-	-	-	-
Lease liabilities	4,394	2,944	540	134	(1,888)	305	-	6,428	1,995	4,433
Borrowings	**62,286**	**5,767**	**540**	**1,180**	**(9,847)**	**1,700**	**-**	**61,625**	**13,912**	**47,713**

									Of which	
In thousands of euros	30/06/19	Impact of IFRS 16	New Borrowings	Accrued Interest	Repayment	Entry into the Scope of Consolidation	Converted into shares	30/06/20	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 2021, the breakdown of related-party debt was as follows:

In thousands of euros	Interest rate	30/06/21	Current Share	Non-Current Share
Non-Convertible Bonds	4%	10,000	-	10,000
Long-Term Bullet Loan	5%	9,469	-	9,469
Other Borrowings	Miscellaneous	3,174	3,174	-

Related-party Borrowings		**22,643**	**3,174**	**19,469**

The increase in bank borrowings is mainly due to the combination of (i) the subscription of new loans to finance equipment, and (ii) the entry into the scope of Airweb and Apitrak, both of which contributed bank debt, mainly linked to SGLs taken out at the beginning of the health crisis.

Lastly, the increase in liabilities resulting from leases is the consequence of the extension and renewal of certain leases, mainly leases for buildings occupied by certain subsidiaries of the division for terms ranging from three to five years.

21.TRADE AND OTHER PAYABLES

In thousands of euros	30/06/2021	30/06/2020
Trade payables	15,936	14,790
Related parties	7,817	6,987
Other Creditors	14,777	12,731
Trade and other payables	**38,530**	**34,508**

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 creditors are broken down as follows:

In thousands of euros	30/06/2021	30/06/2020
Social security contributions	5,536	3,846
Paid leave and other employee benefits	3,268	3,126
Miscellaneous taxes	1,887	1,323
Advances and deposits received	2,033	3,700
Deferred income	2,000	570
Others	53	166
Other creditors	**14,777**	**12,731**

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 deferred income is mainly due to the increase in the portion of the business related to service contracts containing recurring and long-term invoices, which may be invoiced in advance depending on the terms of the customer contracts, such as real-time locating solutions or mobile ticketing solutions.

22.DEFERRED CONSIDERATION

In thousands of euros	30/06/2021	30/06/2020
Short term	2,232	962
Long term	7,252	1,168
Deferred consideration	**9,484**	**2,130**

The increase in the deferred consideration is due to the recognition of deferred considerations on the acquisitions of Airweb and Apitrak during the past financial year as described in sections 1.2.1 and 1.2.2 of this document.

23.OTHER CURRENT LIABILITIES

23.1. Provisions

The provisions created by the Group are as follows:

In thousands of euros	30/06/2021	30/06/2020
Provisions for charges	874	676
Provision for restructuring	392	936
Provisions	**1,266**	**1,612**

In thousands of euros	Provisions for Charges	Provision for Restructuring	Total
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**
Consolidated during the period	35	-	35
Allowances	454	1,040	1,494
Utilisations	(297)	(1,496)	(1,793)
Reversals not applicable		(86)	(86)
Effect of exchange rate impacts	6	(2)	4
Balance at 30 June 2020	**874**	**392**	**1,266**

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;
- A provision relating to the restructuring within Thames initiated pre-acquisition;
- The provisions for the period are related to the update of the provisions mentioned above, as well as to the recognition of new provisions related to restructuring due to Covid-19 initiated within the various subsidiaries of the Group.

24. RISK MANAGEMENT POLICY

The Company carried out a detailed and comprehensive update of its risk factors during the preparation of its registration document, filed with the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*) on 22 March 2021 under number R.21-004. They are presented in Chapter 3 "Risk factors" of said document.

In particular, the main types of risks are:

- Risks related to the Company's activities;
- Risks related to the Company's organisation and key employees;
- Market 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.

24.1. 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 52,895 new shares in the Company, generating a dilution of 0.27%.

24.2. Market risks

24.2.1 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:

In thousands of USD	30/06/2021
Accounts receivable	5,719
Loans to joint ventures	-
Cash value of receivables sold	(1,690)

Accounts payable	(6,937)
US dollar exposure	**(2,908)**
Difference in euros in the event of a 10% rise in the currency rate	(318)

In thousands of GBP	30/06/2021
Accounts receivable	4,057
Loans to joint ventures	-
Cash value of receivables sold	(2,825)
Accounts payable	(2,083)
GBP exposure	**(851)**
Difference in euros in the event of a 10% rise in the currency rate	(66)

24.2.2 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:

In thousands of euros	<1 year	<5 years	TOTAL
Impact on overdraft interest	6	-	6
Impact on factoring interest *	95	-	95
Difference in euros in the event of a 1% rise in interest rates	**101**	**-**	**101**

* The impact on factoring interest was calculated based on the average factoring debt during the 12-month financial year ended 30 June 2021.

24.3. 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.

25.STATUTORY AUDITORS' FEES

In thousands of euros	Certification Annual financial statements	Other Services	Total
Saint-Germain Audit	66	5	71
EY	102	11	113
Statutory Auditors' fees	**168**	**16**	**184**

26.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.

26.1. Related parties

The flows and balances for related parties are as follows:

26.1.1 Joint ventures

I2PL remains a joint venture as at 30 June 2021. As the company is in the process of closing, no transactions took place during the period.

The unpaid positions as at 30 June 2021 are as follows:

	Trade payables to related parties		Trade receivables from related parties		Financial receivables from related parties	
In thousands of euros	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
I2PL	1,837	2,037	753	753	-	-
Airweb	-	-	-	-	-	361
Amount due	**1,837**	**2,037**	**753**	**753**	**-**	**361**

26.1.2 Other related entities of the Paragon Group

The following table presents the significant transactions during the 12-month financial year ended 30 June 2021 between the entities of the division and the rest of the Paragon Group, as well as the remaining balances at 30 June 2021.

In thousands of euros	Assets	Liabilities	Income	Expenses
Paragon Customer Communications UK				
Sale of various Bemrose Booth products	102		584	
Sale of various Thames products	108		254	
Sale of various PISAS products	266		387	
Purchases of PCC services and products		797		512
Paragon Group UK				
Sale of various Bemrose Booth products			2	
Sale of various Thames products	2		6	
Sale of various PGUK products		98		95
Paragon Transaction France				
Sale of PISAS products (customisation)	346		1,313	
Purchase of material and service (envelope stuffing)		39		72
Fleqs				
PISAS borrowings	13			
Arcania				
Sale of various Thames products			209	
Sale of PISAS products (customisation)	15			
Sologne Routage				
Sale of PISAS products (customisation)	6			
Rault Eppe				
Sale of PISAS products (customisation)	1	1		
Paragon Customer Communications Poland				
Sale of services	32			
Purchase of materials and services		2		
Office Team				
Purchase of materials and services		25		
Paragon Romania Srl				
Sale of services	16		56	
Purchase of materials and services		6		
Immobilière Paragon France				
PISAS buildings leases		150		220
Grenadier Holdings				
Non-convertible bonds		10,000		400
Bullet loan		10,261		497
Other loans and interest		2,233		92
Provision of services and licences		4,809		794
Total	**907**	**28,421**	**2,811**	**2,682**

26.1.3 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	
In thousands of euros	30/06/2021	30/06/2020
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
ADVENT PRIVATE EQUITY FUND IIB	-	8
ADVENT PRIVATE EQUITY FUND IIC	-	12
ADVENT PRIVATE EQUITY FUND IID	-	3
ALTAMIR	-	14
APAX PARTNERS VI	-	224
EQUIMAX INVESTMENTS LTD	-	23
FCPR CL CAPITAL DEVELOPPEMENT 1	-	54
IGLOBE PARTNER PTE LTD	-	22
SGAM AI FIP OPPORTUNITE	-	2
Borrowings from related parties	**32**	**420**

26.2. 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):

In thousands of euros	30/06/2021	30/06/2020
Short-term benefits	230	228
Long-term benefits	26	26
Payment in shares	20	228
Executive compensation	**276**	**482**

27.OFF-BALANCE SHEET COMMITMENTS

The Company's off-balance sheet commitments are summarised in the following table:

in thousands of euros	30/06/2021	30/06/2020
Endorsements and guarantees, of which:	3,019	3,139
Bank guarantees	20	-
Market and performance guarantees	2,999	3,139
First pledge on IntTag's assets to Summit Factor	-	12
Pledge on industrial equipment to banking partners	2,550	2,550
Pledge for the amount of bonds	10,000	10,000
Pledge for the amount of the bullet loan	10,261	10,261
Total Off-balance sheet commitments	**25,830**	**25,962**

The Company's off-balance sheet commitments still in force at the date of this report are as follows:

- Paragon Identification SAS has obtained bank guarantees from its banking partners to guarantee its exports of goods to international markets in the amount of €2,999 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.

28. EVENTS AFTER THE REPORTING PERIOD

28.1. Acquisition of a majority stake in Security Label

On 1 July 2021, Paragon ID SA acquired 93% of the securities of Security Label GmbH, thus obtaining control of this company. It also signed an agreement setting out the purchase conditions for the remaining company securities through an option mechanism.

Security Label is a German company based near Hanover, founded in 1990 by the Von Wedekind family and has become a world leader in the design and manufacture of luggage tags. The company offers its customers the widest range of products for check-in, standard and RFID labelling and baggage tracking.

As part of its resolution 753, IATA supports the global rollout of baggage tracking using RFID chips. Over the next few years, airlines have made a commitment, and some have already begun, to transition from their standard baggage tags to tags equipped with RFID devices.
Security Label's industrial reputation and close relationships with the largest global airlines, and Paragon ID's expertise in RFID technologies, as evidenced by the exclusive contract signed with Air France in 2019 for the supply of RFID baggage tags to the French company, will combine to allow the group to accelerate its development in this sector. In the medium term, as RFID tags are gradually adopted by airlines, Paragon ID aims to become the leading RFID baggage tag company worldwide for air transport.

This operation is an opportunity for Paragon ID to become the world leader in baggage tags for airlines.

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 12 months following the effective date of the business combination. A temporary allocation of the purchase price is in progress; the first elements are presented in the following table.

At 1 July 2021:

	Security Label In thousands of euros
Temporary allocation of purchase price	
Purchase price	**4,532**
Initial investment 93% - Disbursed at closing	1,150
Initial investment 93% - Deferred payment	2,652
Remaining from non-controlling interests 7% - Indexed to performance by 2025	730
Valuation of assets and liabilities	
Intangible assets	17
Property, plant and equipment	977
Inventories	1,016
Trade and other receivables	752
Cash and cash equivalents	559
Total assets acquired	**3,321**
Current trade and other payables	(935)
Borrowings and financial debt	(920)
Total liabilities acquired	**(1,855)**
Fair value of assets and liabilities	**1,466**
Goodwill	**3,066**

The revenue and profits/(losses) realised by Security Label over the period from 1 July 2020 to 30 June 2021, are not included in the consolidated income statement of Paragon ID SA.

28.2. Acquisition of the activities and assets of Electronics Data Magnetics, Inc.

On 20 September 2021, Paragon ID SA acquired, through new entities in the United States, the activities and assets of the American company Electronics Data Magnetics Inc. (EDM).

Founded in 1983 by the Hallman family, EDM has become the leading American manufacturer of tickets for the public transport market.
EDM manufactures and sells magnetic and RFID cards and tickets, and provides transport ticket pre-encoding and programming services from its industrial site in High Point (North Carolina). EDM supplies the main public transport operators in the US, as well as airlines, car park operators, etc. EDM's customers include nearly two-thirds of the transport operators and authorities in the US, including the cities of Boston, Chicago, New York, Philadelphia, Portland, etc.

Prior to the pandemic, EDM generated positive annual revenues of more than US$15 million, however its activity saw a 75% drop due to the closure and reduced passenger flows of public transport systems over the last 18 months. These major impacts led the company to file for protection under the US Chapter 11 bankruptcy law in April 2021.

Paragon ID expects a gradual recovery in the company's activity to a normalised level over the next two financial years, while making the necessary current investments to support this return to growth.

As this transaction was completed shortly before the finalisation of this report, the data available in terms of the fair value of the assets acquired for a consideration of approximately US$2.6 million are not sufficiently advanced at this stage. It is expected that the Group will realise a profit on the acquisition of these assets (Badwill), the valuation of which remains uncertain at the date of publication of this report.

29. OTHER INFORMATION RELATING TO EXECUTIVE COMPENSATION

The following table indicates the specific conditions concerning the Chief Executive Officer of the Company:

	End date of term of office	Start date of term of office
Clem GARVEY	12 December 2018	Unlimited
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 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.	