PARAGON ENTERTAINMENT LIMITED

Unaudited interim results for the six months ended 30 June 2016.

Paragon Entertainment Limited (AIM: PEL), the AIM-listed design and build, proprietary attractions and licensing & distribution company ("Paragon" or "the Group"), is pleased to announce its unaudited interim results for the six months ended 30 June 2016.

Highlights

- Revenue £5.5m (2015: £4.5m) representing a 22% increase on 2015
- EBITDA increased to £0.3m representing a margin of 5.1%
- Gross Margin of £1.4m (25.8%) continues to improve (2015 £1m (21.1%))
- Committed pipeline of £16.5m throughout 2016 and 2017
- Successful completion of projects including Hamleys Prague, Land of the Lions at London Zoo, The Rolling Stones Exhibitionism at the Saatchi Gallery, Centre for Life at Newcastle, Ninja at Portsmouth Boathouse, Drayton - Thomas the Tank Engine and Chatham Dockyard Interactives
- Net debt of £246,000 as at 30 June 2016. Post period end a debtor payment of £753,000 was received in early July 2016

Financial Summary

	Unaudited Six months to June 2016 £000s	Unaudited Six months to June 2015 £000s	Audited Year to December 2015 £000s
Revenue	**5,536**	4,529	8,508
Gross profit	**1,429**	956	1,970
EBITDA (1)	**282**	80	238
Underlying operating profit/(loss) (2)	**106**	11	103
Profit/(loss) for the year from continuing operations	**106**	153	609
Profit/(loss) for the year	**106**	84	601
Cash balance	**(246)**	(127)	33
Basic earnings per share	**0.05**	0.04	0.32
Normalised earnings per share (3)	**0.12**	0.05	0.05

5(1) EBITDA is defined as earnings before depreciation, amortisation, interest, share based payments, exceptional items and tax.
(2) Underlying operating profit/(loss) is EBITDA plus depreciation and other amortisation.
(3) Normalised earnings per share are earnings per share before amortisation on acquired intangibles, share based payments and exceptional items.

Mark Taylor, Executive Chairman, commented:

"I remain satisfied with Paragon's solid progress which is both a reflection of the hard work of the team and is also a clear indication that we have now turned the corner. We remain confident about the outlook for the rest of the year. The current uncertainty in global markets and the UK economy is a concern but we are cautiously optimistic for 2017 and we are preparing for steady and sustainable growth."

For further information:

Paragon Entertainment Limited Mark Taylor (Chairman)	01904 680020
finnCap Ltd Julian Blunt / Simon Hicks (corporate finance) Alice Lane (corporate broking)	020 7220 0500

Notes to Editors:

Paragon Entertainment Limited (AIM: PEL) is an award winning provider of attraction services from initial design production and consulting through to the fit out and installation of themed attractions, heritage exhibits, museums, aquariums and water parks, inter alia.

Paragon Entertainment is the holding company for Paragon Creative Limited

The Group's projects have included:

- The design and build of Kidzania, London;
- The design and build of galleries at the Olympic Museum for the IOC in Lausanne, Switzerland;
- The design and build of the galleries at The National Museum of Kazakhstan;
- The design and build of Titanic Belfast;
- The thematic build of the Wallace and Gromit ride at Blackpool Pleasure Beach;
- Licensing and distribution installations at Gullivers, Milton Keynes and Art Mall, Ukraine.

The Group listed on AIM in 2011.

Further information can be found at: http://www.paragonent.com/

REPORT OF THE CHIEF EXECUTIVE OFFICER

Corporate Update

Through 2016 we continued to grow our revenue profitably so that we can continue to attract the best team, capital and resources.

Our future strategic growth will focus on:

- Our core Design and Build business
- Growing our Licensing and Distribution business to add Design and Build as a sales option
- Building long-term strategic alliances to secure repeatable projects
- Continuously improving margin management through internal as well as external controls

We will also continue to reduce risk by:

- Reducing dependence on our bank overdraft, thus improving our debt to equity ratio
- Ensure employee development occurs through strong human resources management

Management update

The first half of 2016 has seen our turnover increase by 22% to £5.5m (H1 2015 = £4.5m). This has resulted in an increase in EBITDA to £0.3m (H1 2015 = £0.1m). Both KPIs are in line with our expectations and we remain on target to achieve our full year forecast for 2016 of £11m in revenue and £0.5m in EBITDA.

The second half of 2016 will be focused on:

- Delivering existing projects, mainly in the Middle East
- Continued investment in manufacturing capability
- Continued development of our team in line with our 2020 revenue target of £20m

Major Projects

We continue to see considerable demand for our talents. We have a current committed pipeline for 2016/17 of £16.5m. This position, coupled with the continued development of the relationships we have with key business partners, means we are confident of the continued growth of Paragon.

In 2016 we worked on several UK-originated projects. These include:

- Hamleys Prague, one of the largest experiential toy stores in the world
- Land of the Lions at London Zoo, a landmark project for Paragon's rock work technology and team
- The Rolling Stones "Exhibitionism" at the Saatchi Gallery, yet again shows the creativity of our in-house art department
- Centre for Life at Newcastle, through which we continue to develop our long term relationship with a key client
- Thomas the Tank Engine and Chatham Dockyard, again show off the abilities of our interactive capability

We have also seen continued sales in the Middle East. We will continue to work on the following projects throughout 2016 and into 2017:

- Dubai Parks & Resorts, including:
    - Kung Fu Panda
    - Madagascar Mad Pursuits
    - Cloudy with a Chance of Meatballs
    - Hunger Games
- Majid Al Futtaim Little Explorers Projects (via PCME Interiors):
    - Dubai Marina Mall
    - Mall of Egypt
    - Faisaliah
    - Dubai Mirdif

Licensing & Distribution

Licensing & Distribution has developed significantly over the past 6 months with the recruitment of a dedicated team. This part of our business, although currently in its infancy, will become a steady contributor to our future growth.

Financial Performance

As discussed above, the Group is in line to achieve its 2016 targets. As at 30 June 2016, the Group had net debt of £246,000. This however did not include a debtor payment received in early July 2016 of £753,000. The Board is therefore confident that the Group's cash position is in line with our expectations. The Group remains in active discussion with HSBC which has indicated that they will renew the Group's banking facilities for another year beyond 9 July 2016 and the Group's forecasts take this into account.

Mark Pyrah

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	**Six months to June 2016 £000s**	Six months to June 2015 £000s	Year to December 2015 £000s
Revenue	3	**5,536**	4,529	8,508
Cost of sales		**(4,107)**	(3,573)	(6,538)
Gross Profit		**1,429**	956	1,970
Administrative and other operating expenses		**(1,333)**	(1,019)	(1,642)
Analysed as:				
EBITDA		**282**	80	238
Share based payment charges		**0**	(11)	7
Exceptional and other items		**(10)**	38	420
Amortisation of acquired intangibles		**(101)**	(101)	(202)
Depreciation and other amortisation		**(75)**	(69)	(135)
Operating profit/(loss) from operations		**95**	(63)	328
Finance costs		**(9)**	-	(25)
Finance income		**-**	33	43
Profit/(loss) before income tax		**87**	(30)	346
Income tax credit		**20**	183	263
Profit/(loss) from continuing operations		**106**	153	609
Loss on discontinued operation, net of tax		**-**	(69)	(8)
Total comprehensive income/(loss) attributable to the owners of the parent		**106**	84	601

Earnings per share attributable to the equity holders of the Company during the year (expressed in pence per share)

Basic earnings/(loss) per share				
- from continuing operations	4	**0.05**	0.08	0.32
- from discontinued operations	4	**0.00**	(0.04)	0.00
		0.05	0.04	0.32

Diluted earnings/(loss) per share				
- from continuing operations	4	**0.05**	0.08	0.32
- from discontinued operations	4	**0.00**	(0.04)	0.00
		0.05	0.04	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**June 2016**	June 2015	December 2015
		£000s	£000s	£000s
Non-current assets				
Intangible assets		**1,692**	1,894	1,793
Property, plant and equipment		**1,115**	1,045	1,013
Deferred income tax asset		**126**	281	128
Total non-current assets		**2,932**	3,220	2,934
Current assets				
Inventories		**35**	46	36
Deferred income tax asset		**-**	-	-
Trade and other receivables		**3,630**	2,987	3,176
Cash and cash equivalents	5	**29**	23	33
Total current assets		**3,694**	3,056	3,245
Assets in disposal groups classified as held for sale		**-**	-	121
Total assets		**6,626**	6,276	6,179
Current liabilities				
Trade and other payables		**1,205**	2,752	1,104
Deferred income		**1,136**	115	1,160
Borrowings	6	**543**	445	488
Financial liabilities		**-**	-	-
Total current liabilities		**2,884**	3,310	2,752
Non-current liabilities				
Borrowings	6	**49**	27	8
Deferred income tax liabilities		**192**	105	86
Total non-current liabilities		**241**	132	94
Net liabilities		**3,125**	3,442	2,846
Equity attributable to the owners of the parent				
Share capital		**188**	188	188
Share premium		**9,638**	9,638	9,638
Retained earnings		**(6,324)**	(6,992)	(6,493)
Total equity		**3,502**	2,834	3,333
Total equity and liabilities		**6,626**	6,276	6,179

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital £000s	Share premium £000s	Accumulated Losses £000s	Total £000s
Balance at 1 January 2015	188	9,638	(7,087)	2,739
Comprehensive income	-	-	-	-
Loss for the period	-	-	84	84
Total comprehensive income	**-**	**-**	**84**	**84**
Transactions with owners	**-**	**-**	**-**	**-**
Equity-settled share based payment transactions	-	-	**11**	11
Transactions with owners	**-**	**-**	**11**	**11**
Balance at 30 June 2015	**188**	**9,638**	**(6,992)**	**2,834**
Balance at 1 January 2016	188	9,638	(6,430)	3,396
Comprehensive income	-	-	-	-
Profit for the period	-	-	106	106
Total comprehensive income	**-**	**-**	**106**	**106**
Transactions with owners	-	-	-	-
Equity-settled share based payment transactions	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**
Balance at 30 June 2016	**188**	**9,638**	**(6,324)**	**3,502**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	**Six months to June 2016 £000s**	Six months to June 2015 £000s	Year to December 2015 £000s
Cash flows from operating activities				
Net cash used in operating activities before interest and taxes	7	**86**	(402)	(781)
Interest paid		**(9)**	(11)	(25)
Finance Income		**-**	-	43
Income taxes refunded		**-**	72	286
Net cash used by continuing operations		**77**	(341)	(477)
Net cash used by discontinued operations		**-**	(69)	(37)
Net cash used by operating activities		**77**	(410)	(514)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(177)**	(15)	(32)
Sales of property, plant and equipment		**-**	25	150
Net cash from/ (used in) investing activities		**(177)**	10	118
Cash flows from financing activities				
Proceeds from borrowings		**-**	-	-
Repayments of borrowings		**36**	(12)	(72)
Net cash (used in)/ from financing activities		**36**	(12)	(72)
Net decrease in cash and cash equivalents		**(64)**	(412)	(468)
Cash and cash equivalents and bank overdrafts at beginning of period		**(182)**	286	286
Cash and cash equivalents at end of period	5	**(246)**	(126)	(182)

Notes to the Condensed Set of Financial Statements

1. General information

Paragon Entertainment Limited is a limited company incorporated in the Cayman Islands, company registration number MC-234241, and domiciled in the UK. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The company has its primary listing on the Alternative Investment Market (AIM) on the London Stock Exchange. The company is registered with Companies House in the United Kingdom as a UK Establishment of an overseas company, company number FC030890.

The condensed consolidated interim financial information, including the financial information for the year ended 31 December 2015 set out in this interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The information for the period ended 30 June 2015 is derived from the non-statutory accounts for that financial period.

The non-statutory accounts for the year ended 31 December 2015 were approved on 13 June 2015 and shall be delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not draw attention to any matters by way of emphasis of matter.

This condensed consolidated interim financial information is unaudited and was approved for issue by the Board on 20 July 2016.

Basis of preparation

The condensed consolidated interim financial information for the period ended 30 June 2016 has been prepared in accordance with applicable accounting standards.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the period ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The Group had net debt at 30 June 2016 of £0.2 million. The Group's strategy is to grow Creative ('Design and Build') into new market segments and expand its Licensing & Distribution business. This will necessarily require a level of cash resource. However, the Group's forecasts and projections, taking account of sensitivity analysis of changes in trading performance, show the Group is well placed to operate within this level of cash resource for the foreseeable future being a period of at least 12 months from the date of this report. Note that the bank has indicated that they will renew the Group's banking facilities for another year beyond 9 July 2016 and the Group's forecasts take this into account.

Therefore, after making enquires, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Accounting policies

The principal accounting policies of the Group are consistent with those set out in the Group's 2015 Annual Report and Accounts.

A number of new and amended standards have become effective since the beginning of the previous financial year. None of the new standards and amendments are expected to materially affect the Group.

3. Segmental analysis

Management currently identifies the Group as having two active operating segments ("Design and Build" and "Licensing and Distribution"), and one historic operating segment that has been closed (Attractions). These operating segments are monitored by the Group's Chief Operating Decision Maker and used to make strategic decisions on the basis of adjusted segment operating results. The "Head Office" segment comprises the corporate activities which are unrelated to the individual operating segments and are only incidental to the activities of the Group as a whole.

Performance is measured based on EBITDA (as stated before share based payments and exceptional items and head office recharges) as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis. The information provided to the Board comprises the Statement of comprehensive income for each segment, the Statement of financial position and the Statement of cash flows and other financial and non-financial information used to manage the business on a consolidated basis.

Segment revenues comprise revenues made to external customers and made between segments.

Segment information for the reporting periods is as follows:

Six months to 30 June 2016

	Design and Build £000s	**Attractions £000s**	**Licensing and Distribution £000s**	**Head Office £000s**	**Total £000s**
Revenue					
- External customers	**5,495**	**-**	**41**	**-**	**5,536**
- Discontinued operations	**-**	**-**	**-**	**-**	**-**
- From other segments	**-**	**-**	**-**	**255**	**255**
Segment revenues	**5,495**	**-**	**41**	**255**	**5,791**
EBITDA					
- Continuing operations	**163**	**-**	**30**	**89**	**282**
- Discontinued operations	**-**	**-**	**-**	**-**	**-**
Segment EBITDA	**163**	**-**	**30**	**89**	**282**

Six months to 30 June 2015

	Design and Build £000s	Attractions £000s	Licensing and Distribution £000s	Head Office £000s	Total £000s
Revenue					
- External customers	4,501	-	28	-	4,529
- Discontinued operations	-	137	-	-	137
- From other segments	-	-	-	240	240
Segment revenues	**4,501**	**137**	**28**	**240**	**4,906**
EBITDA					
- Continuing operations	322	-	(27)	(215)	80
- Discontinued operations	-	(41)	-	-	(41)
Segment EBITDA	**322**	**(41)**	**(27)**	**(215)**	**39**

4. Earnings per share

Earnings per share have been calculated by dividing the profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the six-month period/year.

The calculations of basic and diluted loss per share are:

	Six months to June 2016 £000s	Six months to June 2015 £000s	Year to December 2015 £000s
Profit/(Loss) for the year attributable to shareholders	**106**	84	601
Loss for the year attributable to discontinued operations	**-**	69	8
Profit/(Loss) for the year attributable to continuing operations	**106**	153	609

Weighted average number of ordinary shares in issue:

	June 2016 Number	June 2015 Number	December 2015 Number
Basic	**187,680,550**	187,680,550	187,680,550
Diluted	**188,240,221**	187,680,550	188,284,569

There are 2.9 million employee EMI options (2015: 3.1 million) and further Management Participation Arrangements and Marwyn Participation Option which vary in number. The latter two options have been included in the calculation of diluted EPS, whereas the EMI Option has not been included because their exercise is dependent upon the share price, which has not been met and therefore has an anti-dilutive effect. The total number of options and overview of the schemes is provided in note 8 of the published Annual Report and Accounts for the year ended 31 December 2015.

Earnings per share:	**June 2016 Pence per share**	June 2015 Pence per share	December 2015 Pence per share
Earnings per share attributable to the equity holders of the Company			
- Basic and diluted	**0.05**	0.04	0.32
Earnings per share from discontinued operations			
- Basic and diluted	**0.00**	(0.04)	0.00
Earnings per share from continuing operations			
- Basic and diluted	**0.05**	0.08	0.32

Normalised earnings per share

Normalised earnings per share has been calculated by dividing the profit or loss attributable to shareholders before amortisation, charges for share options and exceptional items including impairment charge on property, plant and equipment by the weighted average number of ordinary shares in issue during the period. The numbers used in calculating the normalised basic earnings per share are reconciled below:

	Six months to June 2016 £000s	Six months to June 2015 £000s	Year to December 2015 £000s
Profit/(loss) from continuing operations before income taxes	**87**	(30)	346
Amortisation	**101**	101	202
Charges for share options	**-**	11	(7)
Exceptional items	**10**	38	(420)
Adjusted profit/(loss) attributable to shareholders	**198**	120	121
Current year tax (charge)/ credit excluding tax effect of above items	**20**	(24)	(23)
Normalised earnings/(loss)	**218**	96	98
Normalised earnings/(loss) per share	**0.12**	0.05	0.05

5. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise the following:

	June 2016 £000s	June 2015 £000s	December 2015 £000s
Cash at bank	**29**	23	33
Cash and cash equivalents (excluding overdrafts)	**29**	23	33

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	June 2016 £000s	June 2015 £000s	December 2015 £000s
Cash and cash equivalents (excluding overdrafts)	**29**	23	33
Bank overdrafts	**(275)**	(150)	-
Cash and cash equivalents	**(246)**	(127)	33

6. Borrowings

	June 2016 £000s	June 2015 £000s	December 2015 £000s
Current liabilities			
Bank overdraft	**275**	150	215
Bank loans	**229**	264	247
Hire purchase liabilities	**39**	31	26
	543	445	488
Non-current liabilities			
Bank loans	**-**	-	-
Hire purchase liabilities	**49**	27	8
	49	27	22
Total borrowings	**592**	472	496

7. Cash used in operations

	Six months to June 2016 £000s	Six months to June 2015 £000s	Year to December 2015 £000s
Profit/(loss) before taxation	**87**	(30)	346
Adjustments for:			
- finance costs	**9**	(33)	(18)
- depreciation	**75**	38	135
- Profit on the sale of fixed assets	**-**	-	
- amortisation	**101**	101	202
- share based payments	**-**	11	(7)
- fair value adjustments on financial liabilities	**-**	-	-
- inventories	**-**	-	10
- trade and other receivables	**(455)**	66	(361)
- trade and other payables	**269**	(555)	(1,088)
Cash used in operations	**86**	(402)	(781)