

Paragon Customer Communications Limited

Report and Financial Statements
for the year ended
30 June 2022

Company Number 07262428



Paragon Customer Communications Limited

Company Information

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	07262428
Registered office	Lower Ground Floor Park House 16/18 Finsbury Circus London EC2M 7EB
Independent auditors	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 30 Finsbury Square London EC2A 1AG
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN

Paragon Customer Communications Limited

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Paragon Customer Communications Limited

Highlights of the year

Group Revenue
£495.6m

Underlying EBITDA*
£42.3m

Operating profit
£6.4m

Underlying
Operating profit
£15.8m*

Net Cash Flow
from Operating
Activities**
£27.3m

Net Cash
£39.1m

*See note 32

**See note 24

Paragon Customer Communications Limited

Strategic Report for the year ended 30 June 2022

Introduction

The directors present their strategic report of Paragon Customer Communications Limited for the year ended 30 June 2022.

Review of the business

The wider business environment continued to be impacted by reduced economic activity as the various Covid 19 restrictions and lockdowns continued through the year; while the financial impact on the business is unquantifiable the management of the business responded to the uncertainty by maintaining services to customers, identifying and delivering new commercial opportunities and effectively managing expenses to achieve improved financial results. With the continued support of customers and employees the Paragon Customer Communications Group continued to provide goods and services throughout the Covid 19 Pandemic, there was limited interruption to business activities with significant numbers of previously office based staff continuing to working from home.

During the year, Paragon acquired a number of trading businesses to add further clients, products and manufacturing capacities to the business.

- DG3 Group acquisition on 1st December 2021 brings financial services relationships and fine litho print capabilities to the group.
- With Reason Limited which specialises in Digital Transformation was acquired on 1st February 2022 thus strengthening the digital services portfolio of the DCX agency.
- Williams Lea CCM Limited acquired on 1st April 2022 brings further financial and insurance clients to the business as well as two manufacturing operations.
- The Lettershop Limited acquired on 15th June 2022 brings additional marketing print as well as an innovative packaging product which widens the range of products offered by Paragon.

Despite the prevailing conditions of the Pandemic the Group increased both turnover £495.6m (2021: £437.4m), operating profit £6.4m (2021: £3.7m loss) and underlying EBITDA £42.3m (2021: £32.5m). The increase in the turnover was partly attributable to acquisitions during the year while improvement in the operating profit was mainly driven by the improved margin achieved by the group.

During the period the business made use of the UK Government and Irish Government Coronavirus Job Retention schemes which totalled £166,000 (2021: £2,795,000) and protected the roles of some of the employees during the financial year as in the prior year.

The business continued to be vigilant against Cyber threats following the significant Cyber Attack in the early part of the previous financial year, while no client data was accessed or copied in that attack which resulted in circa 3% of the installed server estate being disabled for a short period of time. We continue to work with our insurers on finalising the level of insured financial impact of the Cyber attack.

During the period the business completed a number of projects to gain the synergy benefits of various historic acquisitions. The Redruth and Barnwood production and client support activities were successfully transferred to other PCC locations and these two locations closed in the year, various office locations were also closed in response to what we believe to be the longer term implications of the move to effective home working by staff previously based in offices.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2022

The business is in the process of rationalising the legal structure of the Paragon Customer Communications UK operations, the goal is to consolidate the legal structure of the trading businesses in the UK into PCC London Ltd. During the year the trading activities, assets & liabilities of PCC Nottingham Ltd and PCCI Ltd were hived into PCC London while that of Williams Lea CCM have been hived into PCC London in 2022-23 financial year. As part of this restructure, some of the assets and liabilities of PCCI Limited relating to the central functions hived into PCC London were further transferred to PCC Limited entity. In addition to this consolidation of trading businesses we have embarked on a process of removing interim holding and dormant legal entities to simplify the legal structure of the business.

Strategy and future developments

Paragon uses the latest technology to help our clients better communicate with their customers. Working as an extension of our clients' businesses, we embrace integrity, security and high standards to deliver effective and engaging communication experiences which integrate seamlessly with existing business operations. We provide cost efficient solutions to make it easy for our customers to send the right message, via the right channel, at the right time.

We continually develop and provide deep expertise in a full range of market leading integrated solutions that match the demands of an evolving and complex customer communication landscape. Paragon continues to invest in a platform that allows us to integrate communication across all relevant channels, both now and in the future. We develop solutions unique to Paragon, whilst also integrating best-of-breed third party software and application to ensure we always offer clients the most up to date and relevant customer communication solutions for their specific challenges. We continue to invest in an infrastructure that enables us to make physical communication more engaging, often using dynamic, variable data combined with interactive formats. Being part of a global group, we benefit from the sharing of knowledge, best practice and research and development, providing world leading applications on both a local and international level.

Section 172 statement

The Companies Act 2006 (CA2006) sets out a number of general duties which directors owe to the company. This legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the company, while having regard to the matters set out in section 172(1)(a) to (f) of the CA2006 (s172 factors). In 2022 the directors continued to exercise all their duties, while having regard to these and other factors as they reviewed and considered proposals from senior management and governed the company.

The directors consider that the statement focuses on those risks and opportunities that were of strategic importance to Paragon Customer Communications is consistent with the size and complexity of the Group. In the performance of its duty to promote the success of the company, the directors have regard to a number of matters, including listening to and considering the views key stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate. Engagement with the company's main stakeholder groups, including our people, customers and suppliers, at all levels of the organisation and across the Paragon Customer Communications group of businesses are summarised below.

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Strategic Report (continued) for the year ended 30 June 2022

	People	Customers	Suppliers
Key Facts	3,700+ employees in the UK, Ireland and Luxembourg	Mainly UK based with significant clients within Europe and the US	Diversified supplier base from small contractors to FTSE100 groups
Why we engage	Our people are at the core of our business. We aim to build a trusting, respectful and inclusive culture so every individual feels highly engaged and can be their best. We want our people to feel their human rights are respected and they are treated with dignity. We are committed to creating opportunities for growth and to a continuous learning culture.	Our customers are experts in the products they buy and sell, as well as in the experiences they create and deliver. We work with a wide range of customers: big and small, on-trade and off, digital and e-commerce. Our passion is to ensure we nurture mutually beneficial relationships that deliver joint value and the best outcome for all our consumers	Our suppliers and agencies are experts in the wide range of goods and services we require to create and market our brands. By working with them, we not only deliver high-quality products marketed responsibly, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact and making positive contributions to society.
How we engage	– Prioritisation of health, safety and wellbeing – Investment in learning opportunities for employee growth and development – The promotion of inclusion and diversity	– A portfolio of leading brands that meets evolving consumer preferences – Identification of opportunities that offer profitable growth – Insights into consumer behaviour and trends – Trusted product quality	– Developing strong, mutually beneficial partnerships – Collaborating to realise innovation – Fair contract and payment terms – Consistent performance measurement – Joint risk assessment and mitigation

How our directors consider stakeholders in decision making

People – The directors recognise the importance of effective engagement with Paragon's employees and wider workforce, including contractors and temporary staff. The directors engage directly with local management and other employees during site and trade visits. This year the directors have continued to place a large focus on consideration of the health, safety and well-being of the group's workforce when making decisions with regard to further disruption from another significant Covid-19 outbreak.

Customers – The directors engage with customers, primarily through the Chief Executive, who provides information about key customers in his regular report to the Board. Understanding the importance to customers of maintaining a broad portfolio with consumer offerings at a variety of price points and categories, the Board regularly reviews both innovation and inorganic opportunities to enhance its portfolio.

Suppliers – The Chief Executive provides the Board with information about key suppliers as and when relevant to Board discussions, including when approval is required for material contracts with suppliers. During the year, the Board reviewed and approved several critical procurement agreements.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2022

Principal Risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

- *Consumer preferences and desires* – An element of the market in which the business operates is driven by the Direct Marketing industry, this is subject to annual cycles as well as pressures from the long term change to move to digital marketing by the current and potential clients. To address the risks presented by the changes in the Direct Mail market the business is continuing to invest in new technologies. The business also operates in the Transactional Print market, to remain competitive in this market the business is investing in technology which further develops the digital print offering and differentiates the business from its competitors. The acquisition of With Reason Ltd & The Lettershop Ltd bring a number of significant new service lines to the group, the broadening of service lines spread the risks associated to consumer preferences and desires by moving into business services such as inbound document processing and facility management and related services in business customer locations.
- *Production Risk* – The business runs very high levels of quality and service level agreement ('SLA') performance. Quality risk is managed via the use of Lean and 6 Sigma programmes by well trained and competent staff. SLA risk is managed by a planned production environment and well maintained production resources. As part of the post-acquisition synergy activities the group has invested in advanced print and finishing equipment to reduce the risks related to production activities.
- *Business improvement risk* – There are a number of systems on which the business is highly dependent on. The business continues to invest in these systems to ensure they remain effective and are able to support the changes in the market in which the business operates.
- *Competition risk* – Continuing uncertainty in the UK and global economy particularly in relation to marketing expenditure continues to impact the group. The group's exposure is mitigated by having a customers' base from a wide spread of sectors and industries and by providing a broad range of services and product offerings with value added, emerging e-solutions and customised output. Furthermore, a significant proportion of the group's work is contractual, transactional and regulatory in nature. In addition, the group has a track record of successful customer retention through proactive customer relationship management and ensuring customer requirements are met. The group's acquisition strategy continues to allow us to develop customers in new market sectors with long and strong relationships, often contracted for a significant period.
- *Talent management* – To maintain the high levels of quality and service employee retention is key. The business manages the risks of attrition by maintaining good communications with staff, by training and developing the employees and incentivising excellent performance through various initiatives.

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Strategic Report (continued) for the year ended 30 June 2022

- *Coronavirus risk* – The group continues to be vigilant to the risks related to Coronavirus and monitor relevant UK Government advice on minimising risks. The directors do not consider, at the date of signing of the financial statements, there to be a threat to the overall business in the case of outbreak-related closures and lockdowns due to the above and the group (via the support of the overall Paragon Group) having access to sufficient working capital. The directors believe that appropriate strategies have been, and are being further developed, to ensure the group can reduce and manage the possible impacts of adverse developments which could affect the group's ability to continue trading.
- *Brexit risk* –the UK's decision to leave the EU has had minimal impact on the company and across the group as a whole. Political and economic uncertainty have progressively faded and there has been no significant decline in the value of Sterling. Given the scale of Brexit, the Board continues to monitor whether any further volatility is likely to arise in the short to medium term. In order to mitigate any short term risk to supply chain, the group always ensures that it has adequate stocks of raw materials that are sourced from European suppliers.
- *Inflationary risk* - the Group's primary exposure to inflation is on staff costs, the costs of materials used in production, particularly paper, and energy costs. The directors believe however that the effect of inflation is limited, as in many cases, increased costs can be passed on to clients as allowed in contracts, and operationally the Group continues to rationalise its operational footprint to reduce overhead costs and seeks to gain efficiency improvements.

Overview of the numbers

The underlying EBITDA for the period is £42.3m (2021: £32.5m).

The results for the group, show a profit before taxation of £4.6m (2021: £3.6m loss) and group turnover of £495.6m (2021: £437.4m). The directors have not proposed or paid a dividend in the current financial year (2021 - £Nil).

There is a slight reduction in cash flow generated from operations of £27.3m (2021: £30.1m) but the consistency of good working capital management is not in doubt. The improved gross margin in the year was an indication that the challenges brought about by the pandemic is gradually disappearing.

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Strategic Report (continued) for the year ended 30 June 2022

Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. KPIs measure past performance and provide information to manage the business. Turnover, operating profit and operating cash flow indicate the volume of work, its profitability and the efficiency with which we have turned operating profits into cash. KPIs for the year are shown in the table below, along with prior year comparatives.

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000	Change %
Group turnover	495,601	437,361	13.3%
Group turnover per employee	138	127	8.6%
Number of employees (average)	3,566	3,449	3.4%
Gross profit	194,581	158,874	22.5%
Gross margin	39.3%	36.3%	3.0%
Group operating profit/(loss)	6,436	(3,738)	272.2%
Underlying EBITDA	42,314	32,476	30.3%
Operating cash flow	27,334	30,056	(9.1%)
Net cash	39,131	29,308	33.5%

Environmental matters

The company recognises the importance of their environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with ISO 14001 and are FSC accredited. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

This report was approved by the board and signed on its behalf.

Jeremy Walters

J E C Walters
Director

Date: 30/3/2023

Paragon Customer Communications Limited

Directors' Report for the year ended 30 June 2022

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2022.

Principal activity

Paragon Customer Communications Limited ("Paragon") through its subsidiaries, ("the group"), provides direct communications services to businesses across a wide range of sectors to assist them to optimise their clients' communication channels and contents through the managing and processing of data, printing and distribution which includes the distribution of information via the Internet.

Results and dividends

The results are discussed in the strategic report. The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period were:

P J Crean
L T Salmon
J E C Walters

Political contributions

The group made no political donations (2021 - £nil).

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters that affect them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to other employees.

Streamlined Energy and Carbon Reporting

The company has taken advantage of the exemption not to disclose energy and carbon information in its group accounts as these details are already included in the wider Paragon Group accounts.

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Directors' Report (continued) for the year ended 30 June 2022

Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its ultimate parent company ("the Paragon Group"). The Paragon Group have performed an assessment of going concern, including a review of the Group's current cash position, available banking facilities and financial forecasts for 2023 and quarter one of 2024, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current COVID-19 pandemic, current trading trends in our five divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

A number of scenarios were considered for the Group in preparing our going concern assessment, being a management case and three other scenarios using a set of severe but plausible downside assumptions to that management Case. The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of calendar 2023 and into and quarter one of 2024;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes and reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- The downside case included further reductions in the range of 10%, 15% and 20% in turnover across the five divisions for the remainder of calendar 2023 and on into quarter one of 2024 to reflect a scenario of a deeper economic impact, impact of war in Ukraine, cost of living increases, region specific lockdowns and a slower recovery over the course of next year. Those projections showed that the Group will continue to operate viably over that period.

Outcome of assessment

Overall the Group traded in line with the management case for the first six months of the 2023 financial year and has remained profitable at an underlying EBITDA level which further underlines the resilience and adaptability of our business during this difficult time.

The Directors are confident that the Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, and existing liquidity. The Directors are of the view that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements, and there are no material uncertainties that the Directors are aware of in relation to this. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements..

Directors' qualifying third party indemnity provisions

Paragon Customer Communications Limited maintains liability insurance for its directors. For the purposes of the Companies Act 2006, Paragon Customer Communications Limited provides indemnity insurance for its directors and company secretary for qualifying third party provisions. This insurance was in place for the year ended 30 June 2022 and remains in place at the date of signing of these financial statements.

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Directors' Report (continued) for the year ended 30 June 2022

Matters covered in Strategic Report

A review of the business, details of future developments and principal risks and uncertainties are included in the Strategic Report.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of price, credit, liquidity and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of risk and the related finance costs.

Credit risk

The group is exposed to customer credit risk through continuing uncertainty in the economy. The group has implemented policies that require appropriate credit checks on potential customers before work is undertaken. Additionally, any significant increases in activity on existing clients will result in a reassessment of their credit risk.

The group uses a debt factoring agreement (including insurance) which minimises the exposure to credit risk.

Price risk

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

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance through asset finance and intercompany funding. These measures are designed to ensure the group has sufficient funds for operations and planned expansions.

Interest rate risk

The group has interest bearing assets and liabilities. All external liabilities include a variable element within their interest rate. All intercompany liabilities carry a fixed interest rate.

Foreign currency risk

The majority of the group's customers and suppliers are in the United Kingdom. The foreign currency exposure arising from this small proportion of foreign currency customers and suppliers is deemed low risk by the directors and is managed through a natural hedge. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Capital risk

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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Directors' Report (continued) for the year ended 30 June 2022

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

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

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

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Jeremy Walters

J E C Walters
Director

Date: 30/3/2023

Paragon Customer Communications Limited
Independent auditor's report to the members of
Paragon Customer Communications Limited (continued)

Independent auditor's report to the members of Paragon Customer Communications Limited

Opinion

We have audited the financial statements of Paragon Customer Communications Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Paragon Customer Communications Limited

Independent auditor's report to the members of Paragon Customer Communications Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant section of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Independent auditor's report to the members of
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Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and determined that the most significant are those that relate to the reporting frameworks (FRS102 and the Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations; and
 - the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing a sample of journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements, were free from fraud and error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is

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Independent auditor's report to the members of
Paragon Customer Communications Limited (continued)

inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the company including:
 - the provisions of the applicable legislation;
 - the applicable statutory provisions.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud and through management override of controls in the preparation of the financial statements.
- In assessing the potential risks of material misstatement, we obtained an understanding of
 - the company's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions;
 - the company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the company's compliance with regulatory requirements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 30/3/2023

Paragon Customer Communications Limited

Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

		30 June 2022 £'000	30 June 2021 £'000
	Note		
Group turnover	3	495,601	437,361
Cost of sales		(301,020)	(278,487)
Gross profit		194,581	158,874
Distribution costs		(914)	(643)
Administrative expenses		(187,397)	(164,764)
Other operating income	4	166	2,795
Operating profit/(loss)	5	6,436	(3,738)
Share of profit in Joint Ventures and Associates		399	443
Interest payable and similar charges	8	(2,413)	(1,889)
Interest receivable and similar income	9	130	1,604
Profit/(loss) before taxation		4,552	(3,580)
Tax on profit/(loss)	10	(1,503)	2,153
Profit/(loss) for the financial year		3,049	(1,427)
Exchange differences on translation of foreign operations		(157)	(110)
Other comprehensive expense for the year		(157)	(110)
Total comprehensive profit/(loss) for the financial year		2,892	(1,537)
Supplementary information			
Underlying EBITDA	32	42,314	32,476

The notes on pages 25 to 61 form part of these financial statements. The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There were no other items of comprehensive income in the year ended 30 June 2022 and year ended 30 June 2021.

Paragon Customer Communications Limited

Registered Number: 07262428
Consolidated Statement of Financial Position
as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Fixed Assets			
Intangible assets	11	74,716	53,373
Tangible assets	13	26,730	22,945
Investments	14	524	733
		<u>101,970</u>	<u>77,051</u>
Current Assets			
Stocks	15	11,364	7,261
Debtors	16	67,395	59,184
Cash at bank and in hand	17	45,698	37,428
		<u>124,457</u>	<u>103,873</u>
Creditors: amounts falling due within one year	18	(127,325)	(108,829)
Net Current (liabilities)/assets		<u>(2,868)</u>	<u>(4,956)</u>
Total assets less current liabilities		<u>99,102</u>	<u>72,095</u>
Creditors: amounts falling due after more than one year	19	(60,428)	(36,433)
Provisions for liabilities			
Other provisions	22	(5,857)	(5,737)
Net Assets		<u>32,817</u>	<u>29,925</u>
Capital and reserves			
Called up share capital	23	51,000	51,000
Share premium account		30,901	30,901
Capital contribution reserve		1,557	1,557
Merger relief reserve		14,021	14,021
Foreign exchange reserve		(290)	(133)
Profit and loss account		(64,372)	(67,421)
Total equity		<u>32,817</u>	<u>29,925</u>

Paragon Customer Communications Limited

The financial statements on pages 16 to 61 were approved and authorised for issue by the board and were signed on its behalf on 30/3/2023

Jeremy Walters

J E C Walters

Director

The notes on pages 25 to 61 form part of these financial statements.

Paragon Customer Communications Limited

Registered Number: 07262428
Company Statement of Financial Position
as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Fixed Assets			
Intangible assets	11	22,029	5,039
Tangible assets	13	744	6
Investments	14	166,851	93,773
		<u>189,624</u>	<u>98,818</u>
Current Assets			
Debtors	16	34,386	21,658
Cash at bank and in hand	17	39,621	33,864
		<u>74,007</u>	<u>55,522</u>
Creditors: amounts falling due within one year	18	(72,608)	(129,527)
Net Current assets/(liabilities)		<u>1,399</u>	<u>(74,005)</u>
Total assets less current liabilities		191,023	24,813
Creditors: amounts falling due after more than one year	19	(74,168)	(7,390)
Provisions for liabilities			
Other provisions	22	(592)	-
Net assets		<u>116,263</u>	<u>17,423</u>
Capital and reserves			
Called up share capital	23	51,000	51,000
Share premium account		30,901	30,901
Capital contribution reserve		1,127	1,127
Merger relief reserve		14,021	14,021
Profit and loss account		<u>19,214</u>	<u>(79,626)</u>
Total equity		<u>116,263</u>	<u>17,423</u>

As permitted by Section 408 of the Companies Act 2006, no Income Statement of the Company is included in these financial statements. The profit for the financial year for the Company was £98,840,000 (2021: £1,532,000 profit).

The financial statements on pages 16 to 61 were approved and authorised for issue by the board and were signed on its behalf on 30/3/2023

Jeremy Walters

J E C Walters

Director

The notes on pages 25 to 61 form part of these financial statements.

Paragon Customer Communications Limited

Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Foreign Exchange Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 July 2021	51,000	30,901	1,557	14,021	(133)	(67,421)	29,925
Profit for the year	-	-	-	-	-	3,049	3,049
Other comprehensive loss	-	-	-	-	(157)	-	(157)
At 30 June 2022	51,000	30,901	1,557	14,021	(290)	(64,372)	32,817

The notes on pages 25 to 61 form part of these financial statements

Paragon Customer Communications Limited

Consolidated Statement of Changes in Equity for the year ended 30 June 2021

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Foreign Exchange Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 July 2020	30,419	30,901	1,557	14,021	(23)	(65,994)	10,881
Loss for the year						(1,427)	(1,427)
Other comprehensive loss for the year	-	-	-	-	(110)	-	(110)
Contribution by and distribution to the owners							
Movement in the year	20,581	-	-	-	-	-	20,581
Total transactions with owners	20,581	-	-	-	-	-	20,581
At 30 June 2021	51,000	30,901	1,557	14,021	(133)	(67,421)	29,925

2,058,075,114 new Class A Ordinary shares were issued, allotted and fully paid for at £0.01 per share on 28 January 2021.

The notes on pages 25 to 61 form part of these financial statements

Paragon Customer Communications Limited

Company Statement of Changes in Equity for the year ended 30 June 2022

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 July 2021	51,000	30,901	1,127	14,021	(79,626)	17,423
Total comprehensive profit for the year	-	-	-	-	98,840	98,840
At 30 June 2022	<u>51,000</u>	<u>30,901</u>	<u>1,127</u>	<u>14,021</u>	<u>19,214</u>	<u>116,263</u>

The notes on pages 25 to 61 form part of these financial statements

Paragon Customer Communications Limited

Company Statement of Changes in Equity for the year ended 30 June 2021

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 July 2020	30,419	30,901	1,127	14,021	(81,158)	(4,690)
Total comprehensive profit for the year	-	-	-	-	1,532	1,532
Contribution by and distribution to the owners						
Movement in the year	20,581	-	-	-	-	20,581
Total transactions with owners	20,581	-	-	-	-	20,581
At 30 June 2021	51,000	30,901	1,127	14,021	(79,626)	17,423

The notes on pages 25 to 61 form part of these financial statements

Paragon Customer Communications Limited

Consolidated Statement of Cash Flows for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Net cash from operating activities	24	27,334	30,056
Net cash from investing activities			
Purchase of intangible assets		(7,873)	(5,402)
Purchase of tangible assets		(5,395)	(13,091)
Payments for acquisition of subsidiaries, net of cash acquired		(11,369)	(5,760)
Proceeds from sale of tangible assets		277	469
Dividend received from joint venture	14	600	200
Net cash used in investing activities		(23,760)	(23,584)
Cash flow from financing activities			
Share capital		-	20,581
Interest payment		(2,011)	(285)
Payment of deferred consideration		-	(97)
Loan repayment to immediate parent undertaking		-	(34,645)
Proceeds from long term loan from immediate parent undertaking		8,920	-
Proceeds from obligations under finance lease		-	4,886
Repayment of obligations under finance lease		(2,213)	(1,311)
Net cash used in financing activities		4,696	(10,871)
Net increase/decrease in cash and cash equivalent		8,270	(4,399)
Cash and cash equivalents at 1 July		37,428	41,827
Cash and cash equivalents at 30 June	17	45,698	37,428
Other information (Non statutory information)			
Net Cash/3 rd party debt summary			
Cash and cash equivalents		45,698	37,428
Finance lease	20	(6,567)	(8,120)
Net cash		39,131	29,308

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022

1. Accounting Policies

1.1 Basis of preparation of financial statements

Paragon Customer Communications Limited is a company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the company's accounting policies (see note 2).

Accounting policies have been applied consistently, other than where new policies have been adopted.

The financial information contained in the statement and in the notes is rounded to the nearest £'000.

1.2 Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial reporting Standard applicable in the UK and Republic of Ireland":

- The company has taken advantage of the exemption, under FRS 102 para 33.7 from disclosing total compensation of key management personnel.
- The company has taken advantage of the exemption for qualifying entities from certain financial instrument disclosures, on the basis that the equivalent disclosures are included in the consolidated financial statements of the ultimate parent company.
- The company has taken advantage of the exemption, under FRS 33.1 (a), from disclosing related party transactions as they are all with other companies that are wholly owned by Paragon Group Limited.
- The company has taken exemption from disclosing profit and loss and statement of cash flows of the company.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.3 Going Concern

The Directors have performed an assessment of going concern, including receiving written support provided from its ultimate parent company ("the Paragon Group"). The Paragon Group have performed an assessment of going concern by reviewing the Group's cash position, available banking facilities and financial forecasts for 2023 and quarter one of 2024, including the ability to adhere to banking covenants. In doing so, the Directors have considered the uncertain nature of the current COVID-19 pandemic, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial forecasts

A number of scenarios were considered for the Group in preparing the going concern assessment, being a management case and three other scenarios using a set of severe but plausible downside assumptions to that management Case. The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions :

- The management case anticipates that volume would be steady for the remainder of calendar 2023 and into quarter one of 2024;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes such as reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- The downside case included further reductions in the range of 10%, 15% and 20% in turnover across the Group's five divisions for the remainder of calendar 2023 and on into quarter one of 2024 to reflect a scenario of a deeper economic impact, impact of war in Ukraine, cost of living increases, region specific lockdowns and a slower recovery over the course of the next year. Those projections showed that the Group will continue to operate viably over that period:

Outcome of assessment

Overall the Group traded in line with the management case for the first six months of 2023 financial year and has remained profitable at an underlying EBITDA level which further underlines the resilience and adaptability of our business during this difficult time.

The directors are confident that the Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, and existing liquidity. The directors are of the view that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements and there are no material uncertainties the directors are aware of in relation to this. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.4 Basis of consolidation

The consolidated financial statements present the results of the Group and its subsidiaries ("the Group"). Intercompany transactions and balances between Group companies are therefore eliminated in full. Accounting policies are uniform across the Group.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

1.5 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Statement of Financial Position, the interests in joint ventures undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any premium on acquisition is dealt with in accordance with the goodwill policy.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.6 Turnover

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts.

Print-mail

Turnover is recognised based upon the number of packages or items printed and delivered to or mailed on behalf of clients at the point the control and risk and rewards of the related products are passed to the end customer which is generally at the point of delivery. Products under this category includes bespoke marketing print, transactional print, campaign-led marketing print and short-run trade print.

Services

Turnover is recognised on digital marketing services on completion of the service and client sign-off.

Turnover derived from the provision of temporary employees to clients is recognised as the employee performs their services over the employment period. Turnover derived from the permanent placement of candidates is recognised at the commencement of the placement.

Recognition of turnover on disaster recovery services is based on the contract period and spread on a straight line basis over the months covered by the contract period.

Turnover is recognised on data-driven fulfilment, inbound processing of client communications, co-packing and logistics as the services are carried out based on the proportion of the service contract completed.

1.7 Government grants

The receipt of funds from government grants is recognised in profit or loss in the same period in which the expense to which it relates is incurred.

1.8 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 10 years. The useful economic life was reassessed in the current period as a result of macro economic uncertainties arising and was reduced from 20 years to 10 years. This change in estimate did not have a material impact on the income statement for the year ended 30 June 2022.

Negative goodwill

Negative goodwill arises where the cost of the business combination is lower than the group's interest in the net identifiable assets and liabilities. The negative goodwill is recognised in the statement of comprehensive income over the life of the non-monetary assets.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

Other intangible assets – development expenditure

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Consolidated income statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives, which vary between three and five years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Other intangible assets – computer software

Other intangible assets consist of software and is initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Software is considered to have a finite useful life of 2 – 3 years.

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally 2 – 15 years.

Other intangible assets – trade names

Costs relating to the use of trade names are recorded at fair value at the date of acquisition and fully amortised over their estimated useful lives which is generally 2 – 5 years.

1.9 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line basis.

The estimated useful lives range as follows:

Short-term leasehold property	-	shorter of the remaining lease period or 10 years
Plant and machinery	-	4 - 7 years
Fixtures, fittings & equipment	-	3 - 5 years
Computer equipment	-	2 - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

1.10 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.15 Factoring arrangements

The group is party to a debt factoring arrangement which enables it to accelerate cash flows associated with trade receivables, where advances received are without recourse. Where receivable balances have been sold and the risk and rewards have been transferred to the factorers, the remaining amount is held within the receivable balance and is due from the debt factors.

Cash flows from factoring arrangements are presented within cash flows from receivables in the Consolidated Statement of Cash Flows.

1.16 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to and from related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.18 Foreign currency translation

Functional and presentation currency

All operations are based in the UK with a GBP functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.19 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.20 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

1.21 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

1.22 Provision for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in the tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired excluding goodwill and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.24 Reserves

The group's reserves are as follows:

- Called up share capital represents the nominal value of shares issued
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Capital contribution reserve represents funds for share-based payments plans no longer operational.
- Merger relief reserve arose on a past business combinations that was accounted for as a merger in accordance with UK GAAP as applied at that time.
- Foreign exchange reserve arose as a result of changes in fx rates and translating balances held by foreign subsidiaries into the group's functional currency.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the directors have made the judgements that accounting estimates are reasonable and prudent. Judgements made were as follow:

- Determine whether there are indicators of impairment of the Group's tangible and intangible assets including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

Intangible assets (see note 11)

Intangible assets are amortised over their useful lives taking into account the probable future economic benefits. The group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Tangible assets (see note 13)

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Provisions (see note 22)

The provision made for dilapidations has been based on management's best estimate of the costs that will be incurred in accordance with the contractual requirements.

Fair value on acquisitions

The carrying value of certain items of the Group's assets and liabilities are dependent on the fair values assigned to them when acquired. Judgement is used in assessing these fair values especially where open market valuations are not readily accessible.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

3. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£'000	Restated £'000
Services	120,648	108,928
Printmail	374,953	328,433
	<u>495,601</u>	<u>437,361</u>

Analysis of turnover by country of destination

	2022	2021
	£'000	£'000
United Kingdom	455,263	402,858
Rest of Europe	30,953	28,428
Rest of the world	9,385	6,075
	<u>495,601</u>	<u>437,361</u>

The prior year disclosure has been restated to more appropriately reflect the nature of the categories of revenue generated by the group. There was no impact on the value of the revenue recognised.

4. Other operating income

During the financial year, the group received government assistance relating to the wages and salaries costs of employees furloughed under the Coronavirus Job Retention Scheme. Grants received have been recognised using the accrual model in accordance with FRS102 paragraph 24.5, and amount to £166,000 (2021 - £2,795,000).

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

5. Operating profit/(loss)

The operating profit/(loss) after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets - owned		
- owned assets	7,281	8,227
- owned under finance lease	1,262	1,276
Amortisation of other intangibles (note 11)	16,806	12,024
Amortisation of goodwill (note 11)	2,325	1,465
Amortisation of negative goodwill (note 11)	(1,150)	(1,600)
Goodwill impairment	-	35
Profit on disposal of operations	(2,340)	-
Fees payable to the Group's auditors and their associates for		
- The audit of the company's financial statements	60	54
- The audit of the Group's subsidiaries pursuant to legislation	547	422
Exchange loss/(gain)	135	267
Defined contribution pension cost (note 26)	4,088	3,508
Operating lease costs		
- Equipment	3,582	2,538
- Land and buildings	7,281	5,505
(Gain)/loss on disposal of fixed assets	(72)	19

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

6. Employees

Staff costs were as follows:

Group	2022 £'000	2021 £'000
Wages and salaries	137,440	120,416
Social security costs	13,809	11,302
Cost of defined contribution scheme	4,192	3,508
Redundancy	2,402	3,846
	<u>157,843</u>	<u>139,072</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No	2021 No
Administration and sales	1,017	898
Operations	<u>2,733</u>	<u>2,551</u>
	<u>3,750</u>	<u>3,449</u>

Company

	2022 £'000	2021 £'000
Wages and salaries	16,423	12,201
Social security costs	2,008	1,508
Cost of defined contribution scheme	509	386
Redundancy	<u>30</u>	<u>311</u>
	<u>18,970</u>	<u>14,406</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No	2021 No
Administration and sales	191	149
Operations	<u>46</u>	<u>16</u>
	<u>237</u>	<u>165</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

7. Directors' remuneration

During the year, the total emoluments of £633,672 (2021 – £706,133) was received by one of the directors, who is the highest paid, for his services as a director from the Group. The other directors were remunerated by other group companies and no recharges were made. It is not possible to apportion the proportion of these directors' work that was performed for the Group. The details of the director's remuneration is stated below:

	2022	2021
Salary/allowance	278,040	299,371
Bonus	<u>355,632</u>	<u>406,762</u>
	<u>633,672</u>	<u>706,133</u>

8. Interest payable and similar charges

	2022 £'000	2021 £'000
Finance leases	258	145
Factoring interest	543	603
Discount charges	945	371
Other interest charges	265	-
Loans from group undertakings	<u>402</u>	<u>770</u>
	<u>2,413</u>	<u>1,889</u>

9. Interest receivable and similar income

	2022 £'000	2021 £'000
Net exchange gain on foreign currency borrowings	<u>130</u>	<u>1,604</u>

Paragon Customer Communications Limited**Notes to the Financial Statements
for the year ended 30 June 2022 (continued)****10. Tax on profit/(loss)**

	2022	2021
	£'000	£'000
Corporation tax		
UK corporation tax charge on profit for the year	52	
Group relief payable	164	484
Adjustments in respect of previous periods	<u>-</u>	<u>114</u>
	216	598
Deferred tax		
Origination and reversal of temporary differences	49	(453)
Changes to tax rates	692	(2,377)
Adjustment in respect of previous periods	546	79
	<u>1,287</u>	<u>(2,751)</u>
Taxation on profit/(loss)	<u>1,503</u>	<u>(2,153)</u>

Factors affecting tax credit for the period

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit/(loss) before tax	<u>4,552</u>	<u>(3,580)</u>
Profit/loss multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	865	(680)
Effects of		
Changes in tax rates	692	(2,377)
Expenses not deductible for tax	1,246	278
Other timing differences	939	853
Group relief utilised at less than the standard rate	(2,788)	(482)
Research & Development expenditure	3	62
Adjustment relating to previous periods	<u>546</u>	<u>193</u>
Total tax debit/(credit) for the financial year	<u>1,503</u>	<u>(2,153)</u>

Factors that may affect future tax charges

The Finance Act 2020 included legislation to maintain the main rate of UK corporation tax at 19%, rather than reducing it to 17% from 1 April 2020. The change to the main rate of corporation tax was substantively enacted by the balance sheet date and therefore included in these financial statements. The UK Budget announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. Temporary differences have been remeasured using these budget tax rates that are expected to apply when the liability is settled or the asset realised.

Paragon Customer Communications Limited
Notes to the Financial Statements
for the year ended 30 June 2022 (continued)

11. Intangible assets

	Software	Trade Names	Development Expenditure	Customer relationships	Goodwill	Negative goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 July	15,448	3,146	2,060	49,417	76,890	(10,358)	136,603
Additions	7,257	18,500	615	-	-	-	26,372
On acquisition of subsidiary	1,767	60	-	3,979	9,049	(1,849)	13,006
Disposal	(1,104)	(3,146)	(1,966)	-	-	-	(6,216)
At 30 June	23,368	18,560	709	53,396	85,939	(12,207)	169,765
Amortisation							
At 1 July	8,759	3,146	1,570	16,244	56,457	(2,946)	83,230
Charge for the year	3,749	4,625	454	7,978	2,325	(1,150)	17,981
Disposal	(1,074)	(3,146)	(1,942)	-	-	-	(6,162)
At 30 June	11,434	4,625	82	24,222	58,782	(4,096)	95,049
Net book value							
At 30 June 2022	11,934	13,935	627	29,174	27,157	(8,111)	74,716
At 30 June 2021	6,689	-	490	33,173	20,433	(7,412)	53,373

£13,875,000 of the closing NBV relates to brand licence and the remaining amortisation period for this asset is 3 years while £22,574,000 relates to customer relationship on the acquisition of former RRD Group with twelve and a half years amortisation period.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

Company	Software	Trade Names	Total
	£'000	£'000	£'000
Cost			
At 1 July	6,758	3,146	9,904
Additions	6,235	18,500	24,735
Disposals	-	(3,146)	(3,146)
At 30 June	12,993	18,500	31,493
Amortisation			
At 1 July	1,719	3,146	4,865
Charge for the year	3,120	4,625	7,745
Disposals	-	(3,146)	(3,146)
At 30 June	4,839	4,625	9,464
Net book value			
At 30 June 2022	8,154	13,875	22,029
At 30 June 2021	5,039	-	5,039

12. Company profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit of the parent company for the year was £98,840,000 (2021 - £1,532,000 profit).

Paragon Customer Communications Limited
Notes to the Financial Statements
for the year ended 30 June 2022 (continued)

13. Tangible assets

Group	Short term Leasehold Property £'000	Plant and Machinery £'000	Fixtures Fittings & equipment £'000	Computer Equipment £'000	Motor Vehicle £'000	Total £'000
Cost						
At 1 July	10,098	19,706	5,697	4,587	-	40,088
Additions	933	4,798	215	65	44	6,055
On acquisition of subsidiary	191	6,002	101	130	-	6,424
Disposals	(1,479)	(6,299)	(1,984)	(3,710)	-	(13,472)
At 30 June	9,743	24,207	4,029	1,072	44	39,095
Accumulated depreciation						
At 1 July	7,104	4,714	2,348	2,977	-	17,143
Charge for the year	998	6,051	476	1,012	6	8,543
Disposals	(1,431)	(6,196)	(1,984)	(3,710)	-	(13,321)
At 30 June	6,671	4,569	840	279	6	12,365
Net book value						
At 30 June 2022	3,072	19,638	3,189	793	38	26,730
At 30 June 2021	2,994	14,992	3,349	1,610	1,610	22,945

The net carrying amount of assets held under finance leases included in plant and machinery is £3,706,000 (2021: £3,111,000).

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

Company

	Short term Leasehold Property £'000	Plant and Machinery £'000	Fixtures Fittings & equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 July	20	-	-	-	20
Intra-group transfer	35	284	47	468	834
At 30 June	55	284	47	468	854
Accumulated depreciation					
At 1 July	14	-	-	-	14
Charge for the year	12	-	8	76	96
At 30 June	26	-	8	76	110
Net book value					
At 30 June 2022	29	284	39	392	744
At 30 June 2021	6	-	-	-	6

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

14. Investments

Group	Investment in associates £'000	Investment in joint ventures £'000	Total £'000
Cost			
At 1 July 2021	50	683	733
Share of profits	(23)	422	399
Disposal	(8)	-	(8)
Dividends in the period	-	(600)	(600)
At 30 June 2022	19	505	524

Company	Shares in group companies £'000
Cost	
At 1 July 2021	118,231
Additions	135,765
At 30 June 2022	253,996
Impairment	
At 1 July 2021	24,458
Charge for the year	62,687
At 30 June 2022	87,145
Net book value	
At 30 June 2022	166,851
At 30 June 2021	93,773

£42.7m of the impairment has arisen as a result of group restructuring exercise carried out during the year. This included the trade and assets of Paragon Customer Communications International Limited and dsicmm (Nottingham) Limited (formerly Paragon Customer Communications (Nottingham) Limited being transferred to Paragon Customer Communications (London) Limited. The trade and assets of the respective entities were transferred at fair value hence an impairment has arisen in the investments held in the company. As part of the re-organisation exercise within PCC UK, Paragon Customer Communications (London) Limited, the immediate subsidiary of dsicmm Group Limited was sold to Paragon Customer Communications Limited for a total consideration of £134m and so the investments costs in dsicmm Group Limited (£16.1m) was impaired.

Also impaired during the year are investment costs relating to Paragon Customer Communications (Luxembourg) SA amounting to £3.7m.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

14. Investments (continued)

Subsidiary undertakings

The following were the subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activities
Directly held:				
Paragon Customer Communications (London) Limited	England & Wales	Ordinary	100%	Printing services
dsicmm (Bristol) Limited*	England & Wales	Ordinary	100%	Dormant
Paragon Customer Communications (Luxembourg) SA	Luxembourg	Ordinary	100%	Printing services
Lateral Holdings (UK)* Limited*	England & Wales	Ordinary	100%	Holding company
D MSP Celerity Services SL Spain	Spain	Ordinary	100%	Software development
Celerity IS Inc. US	USA	Ordinary	100%	Software development
Paragon Customer Communications International Limited	England & Wales	Ordinary	100%	Brand communication and business support
Critical Mail Continuity Services Limited	England & Wales	Ordinary	100%	Business continuity services
Devonshire Appointments Limited	England and Wales	Ordinary	100%	Recruitment consultancy
Paragon Customer Communications Ireland Limited	Ireland	Ordinary	100%	Printing services
Global Document Systems Limited	England and Wales	Ordinary	100%	Business support services
Print Trade Suppliers Limited	England and Wales	Ordinary	100%	Printing services
PCC GDS Limited	England & Wales	Ordinary	100%	Business support services

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

14. Investments (continued)

Indirectly held:

dsicmm (Nottingham) Limited	England & Wales	Ordinary	100%	Printing services
Innovative Output Solutions (Manchester) Limited	England & Wales	Ordinary Preference	100% 100%	Dormant
Lateral Group Limited*	England & Wales	Ordinary	100%	Holding company
With Reason Limited*	England & Wales	Ordinary	100%	Technology development
Hamsard 3302 Limited	England & Wales	Ordinary	100%	Dormant
The Lettershop Limited*	England & Wales	Ordinary	100%	Printing services
Eco Mlr Limited	England & Wales	Ordinary	100%	Printing services
WL CCM Limited*	England & Wales	Ordinary	100%	Printing services
DG3 Holding (Group) Limited	England & Wales	Ordinary	100%	Printing services
DG3 Europe Limited	England & Wales	Ordinary	100%	Dormant
DG3 Connections Limited	England & Wales	Ordinary	100%	Dormant
DG3 Digital Limited	England & Wales	Ordinary	100%	Dormant
DG3 Squared Limited	England & Wales	Ordinary	100%	Dormant

The registered address for all the directly and indirectly held subsidiaries is Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, England, EC2M 7EB.

* The financial statements for the period ended 30 June 2022 for these subsidiaries have been exempted from audit under section 479A of the Companies Act 2006 by way of Parental Guarantee from Paragon Customer Communications Limited

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

14. Investments (continued)

Participating interests

Indirectly held:

Joint ventures

dsi Billing Services Limited
Evolution House, Choats
Road, Dagenham, Essex
RM9 6BF

England &
Wales

Ordinary

50%

Personalisation
and sorting
services

Associates

Response Handling Centre
Limited
5 White Oak Square,
Swanley, Kent BR8 7AG

England &
Wales

Ordinary

34%

Administration
support for fund
raising
companies

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

	Non- current assets £.000	Current assets £.000	Current liabilities £.000	Total £.000
As at 30 June 2022				
Joint Ventures	3	2,838	(1,830)	1,011
Associates	1	54	(5)	50
At 30 June 2022	4	2,892	(1,835)	1,061
	Non- current assets £.000	Current assets £.000	Current liabilities £.000	Total £.000
As at 30 June 2021				
Joint Ventures	8	3,671	(2,313)	1,366
Associates	2	111	(3)	110
At 30 June 2021	10	3,782	(2,316)	1,476

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

15. Stocks

	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Raw materials and consumables	9,130	4,448	-	-
Work in progress (goods to be sold)	2,234	2,813	-	-
	<u>11,364</u>	<u>7,261</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

16. Debtors

	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Due after more than one year:				
Amounts owed by group undertakings	-	-	-	17,000
Due within one year:				
Trade debtors	9,385	5,980	-	-
Amounts owed by group undertakings	14,705	10,776	25,286	61
Amounts owed by joint ventures and associated undertakings	613	496	-	-
Other debtors	4,147	4,721	5,492	2,165
Corporation tax	-	-	303	303
Prepayments and accrued income	33,956	32,265	3,305	2,129
Deferred taxation (note 21)	4,589	4,946	-	-
	<u>67,395</u>	<u>59,184</u>	<u>34,386</u>	<u>21,658</u>

All amounts are due within one year with the exception of deferred taxation.

Amounts owed by group undertakings, joint ventures and associates are unsecured.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

17. Cash at bank and in hand

	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Cash at bank and in hand	<u>45,698</u>	<u>37,428</u>	<u>39,621</u>	<u>33,864</u>

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value. Included are restricted cash balances arising from the Group factoring facility of £2,869,000 (2021: £8,792,000).

18. Creditors: Amounts falling due within one year

	Note	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Obligations under finance lease and hire purchase contracts	20	2,242	2,188	-	-
Trade creditors		43,850	35,005	792	-
Deferred consideration		262	262	261	261
Amounts owed to group undertakings		9,642	6,206	56,643	121,933
Taxation and social security		13,661	22,093	1,940	4,671
Other creditors		1,310	20,694	12	-
Corporation tax		567	279	-	-
Accruals and deferred income		55,791	22,102	12,870	2,645
Deferred taxation (note 21)		-	-	90	17
		<u>127,325</u>	<u>108,829</u>	<u>72,608</u>	<u>129,527</u>

Amounts owed to the group undertakings are unsecured, repayable on demand and do not bear any interest.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

19. Creditors: Amounts falling due after more than one year

	Note	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Obligations under finance lease and hire purchase contracts	20	4,325	5,932	-	-
Long term loan		53,973	20,747	53,973	1,894
Amounts owed to group undertakings		-	8,299	20,195	5,496
Other creditors		1,549	753	-	-
Accruals and deferred income		581	702	-	-
		<u>60,428</u>	<u>36,433</u>	<u>74,168</u>	<u>7,390</u>

The long term loan is the loan obtained from the parent company, PCC Global Limited. Interest is charged at 1.15% and there is currently no fixed repayment date. Amounts owed to group undertakings are unsecured and bears interest at 2.33%.

20. Finance Lease

The future minimum lease payments are as follows:

	Group 30 June 2022 £'000	Group 30 June 2021 £'000	Company 30 June 2022 £'000	Company 30 June 2021 £'000
Not later than 1 year	2,563	2,460	-	-
Later than 1 year and not later than 5 years	4,380	6,235	-	-
Total gross payments	6,943	8,695	-	-
Less: finance charges	(376)	(575)	-	-
Carrying amount of liability	6,567	8,120	-	-

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

21. Deferred taxation Group

	30 June 2022 £'000	30 June 2021 £'000
At 1 July	4,946	2,055
Charged to the profit or loss	(1,287)	2,751
Disposals	(40)	-
Acquisitions	970	140
At 30 June	4,589	4,946

The deferred tax asset is made up as follows:

	30 June 2022 £'000	30 June 2021 £'000
Accelerated capital allowances	6,137	6,095
Short term timing differences	785	449
Intangible assets – customer relationships	(6,863)	(5,237)
Losses and other deductions	4,530	3,639
	4,589	4,946

Paragon Customer Communications Limited
Notes to the Financial Statements
for the year ended 30 June 2022 (continued)

22. Provision for liabilities

Group	Dilapidation provision £'000	Onerous provisions £'000	Redundancy provisions £'000	ACP provisions £'000	Other provisions £'000	Total £'000
At 1 July 2021	3,319	1,775	474	168	1	5,737
Charged to the profit or loss	-	149	-	-	644	793
Acquisition	1,035	-	-	-	-	1,035
Utilised in the year	(500)	(757)	(429)	(21)	(1)	(1,708)
At 30 June 2022	3,854	1,167	45	147	644	5,857

The dilapidation provisions represents the estimated cost of repairs required under all current property rentals prior to the end of the lease term. The calculation of this provision requires judgements to be made on the level of dilapidations that may have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease. Current provisions represent the anticipated payments to occur which we do not expect to change materially within the next 12 months.

The onerous provision represents amounts provided for rent exposure on premises vacated as part of the rationalisation of business operations. This provision is based on best estimates which we do not expect to change materially within the next 12 months.

The redundancy provision relates to the rationalisation of trading activities.

The ACP (Annual Compensation Payments) provision represents amounts due to former employees of RR Donnelley Print & Media Services Limited, which have been calculated in accordance with the terms of their employment contract at that time based on their expected remaining lives.

Other provisions relates to the settlement cost for an operating lease for dis-used digital printing equipment that arose from the closure of DG3 Group (Holdings) Limited, Dagenham site. Current provisions represent the anticipated payments to occur in the next twelve months.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

22. Provision for liabilities (continued)

Company

	Dilapidation provision £'000	Onerous provisions £'000	Redundancy provisions £'000	Total £'000
At 1 July 2021	-	-	-	-
Charged to the profit or loss	1	-	1	2
Transfer from other group companies	106	560	23	689
Utilised in the year	(2)	(94)	(3)	(99)
At 30 June 2022	105	466	21	592

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

23. Called-up Share Capital

	30 June 2022 £'000	30 June 2021 £'000
Allotted, called up and fully paid		
5,095,957,226 (2021: 5,095,957,226) - A Ordinary shares of £0.01 each	50,960	50,960
2,840,971 (2021: 2,840,971) - B Ordinary shares of £0.01 each	28	28
1,226,689 (2021: 1,226,689) - Deferred shares of £0.01 each	12	12
	<u>51,000</u>	<u>51,000</u>

Both 'A' ordinary shareholders and 'B' ordinary shareholders have the right to appoint 3 directors to the Board respectively. 'A' Ordinary and 'B' Ordinary shares rank pari-passu in all other respects. The deferred shareholders are not entitled to receive any dividends or other distribution.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

24. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	30 June 2022 £'000	30 June 2021 £'000
Group		
Profit/(loss) for the financial year	3,049	(1,427)
Adjustments for:		
Tax on profit/(loss)	1,503	(2,153)
Net interest expense	2,283	285
Income from participating ventures	(399)	(443)
Group operating profit/(loss)	6,436	(3,738)
Depreciation of tangible assets	8,543	9,503
Amortisation of goodwill	2,325	1,465
Amortisation of negative goodwill	(1,150)	(1,600)
Amortisation of intangible assets	16,806	12,024
Impairment of goodwill	-	35
Profit on disposal of operations	(2,340)	-
(Gain)/loss on disposal of tangible and intangible assets	(72)	19
Operating cash inflow before working capital movements	30,548	17,708
(Increase)/decrease in stocks	(1,469)	250
Decrease in debtors	11,038	3,024
(Decrease)/Increase in creditors and provisions	(12,783)	9,074
Working capital movements	(3,214)	12,348
Net cash inflow from operating activities	27,334	30,056

Analysis of net debt

	01 July 2021 £'000	Cash flow £'000	Acquired £'000	Non-cash changes £'000	30 June 2022 £'000
Group					
Cash and cash equivalents	37,428	5,804	2,466	-	45,698
Finance leases	(8,120)	2,213	-	(660)	(6,567)
Long term loan due to related parties	(20,747)	(8,920)	-	(24,306)	(53,973)
Total	8,561	(903)	2,466	(24,966)	(14,842)

The non-cash movement in the long term loan mainly relate to acquisition of brand licence transacted through the intercompany account and the novation of other intercompany loan balances.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

25. Financial instruments

Group

The group has the following financial instruments:

	Note		30 June 2022 £'000	30 June 2021 £'000
Financial assets that are debt instruments measured at amortised cost				
Trade receivables	16	9,385	5,980	
Other receivables	16	4,147	4,721	
Amounts owed by group undertakings	16	14,705	10,776	
Accrued income		23,497	22,499	
Amounts owed by joint ventures and associated undertakings	16	613	496	
			<u>52,347</u>	<u>44,472</u>
Financial liabilities measured at amortised cost				
Trade creditors	18	(43,850)	(35,005)	
Deferred consideration	18	(262)	(262)	
Accruals and deferred income	18/19	(55,791)	(22,804)	
Amounts owed to group undertakings	18/19	(9,642)	(14,505)	
Intercompany loan	19	(53,973)	(20,747)	
Finance lease	20	(6,567)	(8,120)	
Other creditors	18/19	(1,310)	(21,447)	
			<u>(171,395)</u>	<u>(122,390)</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

25. Financial instruments (continued)

Company

The company has the following financial instruments:

	Note	30 June 2022 £'000	30 June 2021 £'000
Financial assets that are debt instruments measured at amortised cost			
Other receivables	16	5,492	2,165
Amounts owed by group undertakings	16	25,286	17,061
		<u>30,778</u>	<u>19,226</u>
Financial liabilities measured at amortised cost			
Trade creditors	18	(792)	-
Deferred consideration	18	(261)	(261)
Amounts owed to group undertakings	18	(56,643)	(121,933)
Accruals and deferred income	18	(12,870)	(2,645)
Intercompany loan	19	(74,168)	(7,390)
		<u>(144,734)</u>	<u>(132,229)</u>

26. Pension commitments

The group operates a defined contribution pension scheme for its directors and staff. The pension cost in the year was £4,088,000 (2021 - £3,508,000). At the end of the year £377,000 (2021 - £411,000) was owed to the defined contribution scheme providers. This was included in accruals falling due in less than one year.

27. Commitments under operating leases

	Land and buildings 30 June 2022 £'000	Others 30 June 2022 £'000	Land and buildings 30 June 2021 £'000	Others 30 June 2021 £'000
Expiry date:				
Not later than 1 year	8,647	7,861	5,807	3,566
Later than 1 year and not later than 5 years	21,678	9,128	14,671	5,337
Later than 5 years	2,979	-	995	-
	<u>33,304</u>	<u>16,989</u>	<u>21,473</u>	<u>8,903</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

28. Business combinations

Group

On 1st December 2021, Paragon Customer Communications UK Group acquired 100% control of DG3 Group. The acquisition of With Reasons Limited, Williams Lea CCM Limited and Lettershop Group with 100% control were also completed on 26 January, 2022, 1st April, 2022 and 16th June, 2022 respectively. The total cash consideration for all acquisitions during the year was £13,835,000.

	DG3 Group (Holding) Limited £'000	With Reason Limited £'000	Williams Lea CCM Limited £'000	The Lettershop Group £'000	Total £'000
Property, plant and equipment	2,458	40	487	3,439	6,424
Technology assets	15	-	1,128	624	1,767
Patent	-	-	-	60	60
Customer relationships	1,282	-	2,697	-	3,979
Deferred tax asset	-	-	1,275	630	1,905
Non current assets	3,755	40	5,587	4,753	14,135
Stock	328	-	1,030	1,276	2,634
Trade and other receivables	3,703	1,241	6,445	8,217	19,606
Cash and cash equivalents	425	576	788	677	2,466
Current assets	4,456	1,817	8,263	10,170	24,706
Total assets	8,211	1,857	13,850	14,923	38,841
Trade and other payables	5,217	619	12,125	12,275	30,236
Deferred tax liabilities	290	-	645	-	935
Provisions	300	50	685	-	1,035
Total liabilities	5,807	669	13,455	12,275	32,206
Net assets	2,404	1,188	395	2,648	6,635
Fair value consideration	6,455	2,289	4,292	799	13,835
Goodwill on acquisition	4,051	1,101	3,897	-	9,049
Negative goodwill on acquisition				(1,849)	(1,849)
Revenue included in the consolidated income statements	12,065	2,640	11,003	363	26,071
Loss included in the consolidated income statements	(2,575)	(455)	(578)	(306)	(3,914)

The goodwill arising from these acquisitions is attributable to the future revenue streams and its useful economic life have been estimated to be 10 years.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

28. Business Combination (continued)

Company

At 31 March 2022, the assets and liabilities relating to central functions hived from Paragon Customer Communications International Limited to Paragon Customer Communications (London) Limited were further hived to Paragon Customer Communications Limited. The details of the net liabilities transferred are as stated below:

	Total £'000
Property, plant and equipment	834
Trade and other receivables	12,829
Total assets	<u>13,663</u>
Trade and other payables	(22,306)
Provisions	(689)
Total liabilities	<u>(22,995)</u>
Net liabilities	<u>(9,332)</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

29. Related party transactions

The following transactions took place with the group joint venture and associates.

		30 June 2022 £'000	30 June 2021 £'000
dsi Billing Services Limited (50% ownership)	Sales	4,101	4,245
	Purchases	(1)	(2)
	Management charges	61	61
	Dividend received	600	200
Response Handling Centre Limited	Management charges	-	-

The following balances were owed (to)/by the group as at:

	30 June 2022 £'000	30 June 2021 £'000
dsi Billing Services Limited	613	496

30. Controlling party

The immediate parent undertaking is PCC Global Limited (formerly Grenadier (UK) Limited) with 100% holdings of the share capital of Paragon Customer Communications Group.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in United Kingdom. Paragon Group Limited is the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Paragon Group Limited can be obtained from its registered office, Park House, Lower Ground Floor, 16/18 Finsbury Circus, London, EC2M 7EB.

31. Post balance sheet events

On 1st July 2022, certain trade and assets of WL CCM Limited were hived into Paragon Customer Communications (London) Limited while trade and assets of Global Document Systems Limited were hived into Print Trade Suppliers Limited on 1st October 2022.

Image Factory, a division of Service Graphics Limited, a company within the wider Paragon Group Limited, was acquired on 30th September 2022.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2022 (continued)

32. Underlying operating profit and EBITDA (non-statutory information)

Underlying operating profit

	30 June 2022 £'000	30 June 2021 £'000
Operating profit/(loss)	6436	(3,738)
Add back:		
Acquisition and synergy costs*	4,343	4,799
Provision for site restructuring**	7,351	9,988
Less:		
Profit on disposal of operations	(2,340)	-
Underlying operating profit	<u>15,790</u>	<u>11,049</u>

Underlying EBITDA

	30 June 2022 £'000	30 June 2021 £'000
Operating profit/(loss)	6,436	(3,738)
Add back:		
Depreciation of tangible assets	8,543	9,503
Amortisation of goodwill	2,325	1,465
Amortisation of negative goodwill	(1,150)	(1,600)
Amortisation of intangibles	16,806	12,024
Impairment of goodwill	-	35
Acquisition and synergy costs*	4,343	4,799
Provision for site restructuring**	7,351	9,988
Less:		
Profit on disposal of operations	(2,340)	-
Underlying EBITDA	<u>42,314</u>	<u>32,476</u>

* These costs primarily relate to the restructuring of the groups people resources to align with the new ownership and business structure

**These costs relate to the costs of business restructuring excluding the costs related to acquisition and related synergy activities. Included in these costs are the headcount costs related to the closure of the Global Document Solutions operation in Caerphilly, staff restructuring at the DG3 location in Dagenham following the acquisition in November 2021 and staff restructuring in the Bristol, Sunderland, Tewkesbury, Inbound, Nottingham, Lead Supply, DCX and Workplace Solutions Operations. In addition Occupancy costs related to the closure of the DG3 Dagenham, Caerphilly and Huntingdon locations are recognised as exceptional items. The prior year costs included the closure the Redruth operation, the Gateshead operation and Park House locations and staff restructuring at Leicester, Sunderland and Dagenham including Covid compliant adaptations costs.