Registered number: 02788181

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

COMPANY INFORMATION

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	02788181
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

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Principal activities

Paragon Customer Communications (London) Limited provides a range of services in the process of data, printing, mailing, distribution and the distribution of information via the internet.

First time adoption of FRS 101

For the period ended 30 June 2023, the Directors made the decision to transition from FRS102 The Financial Reporting Standards applicable in the UK and Republic of Ireland ("FRS 102") to Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice). The date of transition was 01 July 2021. As such, the company's financial statements have been prepared in accordance with FRS 101. The impact of the transition to FRS 101 on the financial statements of the company is contained in Note 32.

Business review

The turnover in the year was £491.7m (2022: £337.7m) reflecting a growth rate of 45.6%. The improvement in turnover has been driven mainly by the contributions of the operations of the entities hived into the business late last financial year and 14.5% contributions from the operations of Image Factory (a division of Service Graphics Limited), WL CCM Limited, DG3 Group and With Reason hived over during the year.

The gross margin decreased from 38.2% to 35.7% in the year due to a number of factors; the inclusion of £9.9m of additional non-underlying cost of sales expenditure during the year which relate to redundancy and related charges, industrial relocation, restructuring and sites consolidation as well as a reduced level of fulfilment work. The underlying EBITDA in the year was £46.6m (2022: £43.7m) resulting in 6.7% increase year-on-year (see note 34) even though the loss after tax for the year was £7.3m (2022: £20.2m profit). The main reason for the loss was due to significant non-underlying costs such as redundancy and related charges, industrial relocation, restructuring and sites consolidation. The site consolidation in turn gave rise to impairment of right-of-use assets relating to vacated premises.

The balance sheet as at 30th June 2023 included the following significant movements against the prior year; Right of Use assets additions of £16.9m (see note 15) was mainly as a result of the extension of the property lease in Dagenham. After considering the amortisation/depreciation in the year, disposals and impairment of £2.2m relating to vacated premises, the net movements in tangible fixed assets amounted to £6.8m reflecting a 17% increase over the prior year. The increase in trade receivables from £4.6m to £12.6m was in line with revenue growth whereas the overall decrease in the aggregated trade and other receivables was mainly down to reduction in the amount owed by group undertakings. Trade creditors also increased by 33% as a result of growth in trading activities but the overall current liabilities decreased from £111.8m to £90.0m mainly due to reduction in the amounts owed to group undertakings. The increase of £11.1m in non-current liabilities was mainly due to the extension of the property lease in Dagenham while increase in restructuring provisions during the year was the main reason for the movement of £2.8m in the provisions for liabilities. The negative movement of £8.4m in retained earnings reflects the loss after tax in the year.

The directors have not proposed or paid a dividend during the year (2022 - £Nil).

During the year, the trade and assets of WL CCM Limited (01 July 2022), DG3 Group (01 July 2022), Image Factory (a division of Service Graphics Limited - 01 October 2022) and With Reason Ltd (01 December 2022) were hived over to the company. The company also acquired trade and assets of Jimminson Packaging Services Limited and JPS (Nottm) Ltd on 21st February 2023.

Key performance indicators

Paragon Customer Communications (London) Limited is a wholly owned subsidiary of Paragon Customer Communications Limited (the "group"). Paragon Customer Communications (London) Limited is managed by the directors in accordance with the strategies of its parent company, Paragon Customer Communications Limited. For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate to understand the development, performance or position of the business. These strategies and key performance indicators are discussed in the group strategic report of the company's parent which does not form of this report.

Strategy and future developments

The company continues to 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.

We continue 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.

The company is already on a strong growth trajectory which means that the focus can now be on the creation and implementation of a long-term strategy. We will therefore focus on growth, governance and efficiency, enabling us to implement the long-term change need to double our size over the next three years, by achieving success in all of our four bottom lines of people, planet, partners and prosperity (PPPP). Each of these bottom lines is underpinned by ambitious targets and accurate governance and measurement. Our strategy embraces the entrepreneurial flare and energy of our people and gives them a structured framework to deliver growth with purpose.

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). During the year, 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 (London) Limited consistent with the size and complexity of its business. 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 of 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 are contained in the directors report.

Principal risks and uncertainties

The management of the business and the execution of the company'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 in the prior year brought 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 company 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 company. The company'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 company's work is contractual, transactional and regulatory in nature. In addition, the company has a track record of successful customer retention through proactive customer relationship management and ensuring customer requirements are met. The company'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.

Pandemic risk

The risk of future long-term pandemic related lockdowns affecting multiple major markets appears to be subsiding. However, the company still recognises the risks related to global outbreak of a public health threat or fear of such an event which could result in increased government restrictions and regulations including the shutdown of trade, restrictions to travel, and quarantining of our employees which in turn may affect demand negatively or causing a slowdown or halting our business operations due to supply or logistic constraints and thus adversely impact our financial performance. 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 as global crisis management programme are in place to enhance our capability to reach effectively and minimise damage and disruption to our business operations. There are multi-channel product availability enabling clients to meet the needs for digital interaction to replace physical interactions. There are established links to government bodies enabling dialogue regarding industry response and regulation. Also, the decentralised decision-making process enables re-prioritisation and resource re-deployment where required.

IT, Cyber Attacks and Systems Failure risk

The risk of failure to prevent impacts from the denial of service, cyber espionage and related theft/disclosure of confidential/customer data leading to reputational, regulatory and financial impacts are being mitigated by regular reviews of our cyber security and website security protocols. Business continuity plans have also been implemented across Paragon, including disaster recovery programmes, and plans to minimise business disruption.

Inflationary risk

The company'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 company continues to rationalise its operational footprint to reduce overhead costs and seeks to gain efficiency improvements.

Details of financial risk management policies and objectives are included in the Directors' report.

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 is 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 by.

J E C Walters
Director

Date: 27/3/2024

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Results and dividends

The loss for the year, after taxation, amounted to £7.3m *(2022 - £20.2m profit).*

The main reason for the loss in the year was the significant restructuring costs incurred during the year amounting to £27.1m (2022: £6.5m) relating to redundancy, payroll and related charges that arise from the closure of locations and salary costs for the respective individuals from the start of the financial year at various locations in the UK.

The directors have not proposed or paid dividends during the year.

Directors

The directors who served during the year were:

P J Crean
L T Salmon
J E C Walters

Matters covered in the Strategic Report

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

Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its parent company (PCC Global Plc - "The PCC Global Group"). The PCC Global 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 2024 and until the end of March 2025, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current micro economy, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Four scenarios were considered for the PCC Global Group in preparing our going concern assessment, being a management case showing 2024 and the first quarter of 2025 in line with expectations and three other downside scenarios, and using one scenario which is severe but plausible assumptions to the management base case. The management case which is built up from detailed projections for each of the PCC Global Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2024 and into the first quarter of 2025;
- 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; The downside case included further reductions of 10%, 15% and 21% in turnover across the four divisions for 2024 and into the first quarter of 2025 to reflect a scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of next year. Those projections showed that the PCC Global Group will continue to operate viably over that period.
- Additional measures are available to management such as reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by PCC Global Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions

for support staff across the business;

- And, should any of the downside cases occur, management are confident that positive action could be taken to mitigate this position, and prevent any breach of covenants, such as: implementation of cost savings, restructuring and cash management.

Outcome of assessment

Overall the PCC Global Group has remained profitable at the underlying EBITDA level, for the first seven months of the 2024 financial year. While the PCC Global Group is behind budget post year end due to operational reasons, management have taken positive action to ensure the PCC Global Group is on track to meet its covenants. The Directors are confident that the PCC Global 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, mitigating actions available to management and existing liquidity.

Having received written support from PCC Global Plc, the Directors are of the view that there is a reasonable expectations 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.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of price risk, currency risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a financial risk management program that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of trade debtors, creditors and in particular those relating to overseas suppliers and customers. The company does not use derivative financial instruments to manage currency risk exposure and as such, no hedge accounting is applied.

Price risk

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

Foreign currency risk

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

Credit risk

The company is exposed to customer credit risk through continuing uncertainty in the economy. The company 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 company is a party to Paragon Customer Communications Limited group's debt factoring arrangement which minimizes the issue of credit risk.

Liquidity risk

The company has access to funding from other group companies sufficient to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risks

The company's interest bearing assets and liabilities are mainly intercompany and they carry a fixed interest rate.

Research and development activities

The directors regard the investment in research and development as integral to the continuing success of the business and ensuring that it remains at the forefront of the industry.

Disabled employees

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

Directors' qualifying third party indemnity provisions

Paragon Customer Communications Limited maintains liability insurance for the directors of Paragon Customer Communications (London) Limited. For the purposes of the Companies Act 2006, Paragon Customer Communications Limited provides indemnity insurance for the directors and company secretary of Paragon Customer Communications (London) Limited for qualifying third party provisions. The indemnity insurance was in place for the whole period and up to the date the financial statements were approved.

Post balance sheet event

On 28th December, 2023, certain trade and assets of Communisis UK Limited, the share capital of Editions Publishing Limited, Communisis Data Intelligence Limited were acquired by Paragon Customer Communications (London) Limited. These acquisitions extend the product offering to current Paragon Customer Communications clients or bring new clients to Paragon Customer Communications. The Turnover of Editions Publishing Limited in the last year of published results was £3.06m and the turnover of Communisis Data Intelligence Ltd was £1.46m. The impact of the acquisition of certain trade and assets on the overall performance on the business is yet to be completely ascertained.

The total purchase consideration for the acquisitions was £3,764,000.

Streamlined Energy and Carbon Reporting

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

Engagement with suppliers, customers and employees

Suppliers

The performance of the company's suppliers is integral to its success. We have a diversified supplier base from small contractors to FTSE100 groups and they play a critical role in the success of our business. We aim to continue to build mutually beneficial long-term relationships with our suppliers.

The primary interest of suppliers include building a long-term mutually beneficial relationship and payment obligations being met on time.

How we engage - The directors, together with the members of the management team engage collaboratively with suppliers to discuss matters of mutual interest, including any risk which may need to be addressed. The directors are given updates as appropriate regarding the business's relationship with its suppliers, including with respect to any material risks, performance issues or potential future changes.

Engagement outcomes - 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 closely, 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 the society.

Customers

We are a customer focussed business and we pride ourselves on delivering an outstanding service. The directors always consider the potential long-term impact its decisions may have on customers. The primary interest of our customers are first class product and service; on time delivery and assurance that their data are being kept private.

How we engage - The directors receive regular reports from management based on market trends and customer feedback. The directors encourage the business to maintain multiple channels and methods of communication with customers to promote a meaningful and honest dialogue. The directors are responsible for approving material business transactions and ket strategic changes as part of which customers' interests are at the fore.

Engagement outcomes - The directors consider if, and how, divergent interests can be reconciled. Our collaboration with a a wide range of customers, big and small, on-trade and off, digital and e-commerce provides opportunities that offer profitable growth for our customers. Our passion is to ensure we nurture mutually beneficial relationships that deliver joint value and the best outcome for all our customers.

Engagement with our employees are discussed below:

Focus Areas	How we engage	Engagement outcomes
Engaging employee culture	Fortnightly "all staff newsletter" via email and electronic displays	All employees are aware of significant success and activities across the business
Motivated and talented employees	Development and succession planning	Employees supported in external qualifications
Safety focus	All staff have mandatory safety training relevant to their roles within the business	All employees are aware of their role in their own safety and the safety of those around them, accident levels are low.
Diversity and inclusion agenda	The senior management team have put in place an Equality, Diversity & Inclusion Policy and has established an Inclusion Council.	The Inclusion Council will support the senior management team in the creation of an integrated inclusion strategy.

Strong leadership, along with continued support from customers and suppliers, who continue to recognise

Paragon group's commitment to the communications industry, resulted in us reporting excellent growth in both turnover and profitability, primarily from the augmentation of existing accounts within the Paragon group of companies.

Our position of offering a complete range of communication solutions is becoming ever more attractive to clients in an increasingly complex multi-channel driven, communication landscape.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international 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 to 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.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

J E C Walters
Director

Date: 27/3/2024

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

Opinion

We have audited the financial statements of Paragon Customer Communications (London) Limited (the 'Company') for the year ended 30 June 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in preparation of the financial statement is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion::

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED (CONTINUED)

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 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 company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as global inflationary pressures, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the 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.

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 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 sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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 course of 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 this gives rise to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED (CONTINUED)

Opinion 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.

Matters on which we are required to report by the Companies Act 2006

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED (CONTINUED)

Auditors' 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 Auditors' 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:

- Through discussions with management, we obtained an understanding of the legal and regulatory frameworks that are applicable to the company. We determined that the most significant frameworks that are directly relevant to the specific assertions in the financial statements are those related to the financial reporting framework, being Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006;

- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries with management and the board of directors. We corroborated inquiries through our review of board minutes;

- We enquired of management and the board of directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries through review of board minutes

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:

    - Inquiring of management, the finance team, legal counsel, and the Board about the risks of fraud at the company level, and the controls implemented to address those risks.
    - Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
    - Testing journal entries with focus on those journal entries identified by the audit teams as posing a higher risk of material misstatement, based on an assessment of quantitative and qualitative risk factors;
    - Performing specific procedures in response to the risks and significant accounting estimates.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or 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 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 non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's 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;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED (CONTINUED)

- 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.
- 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 Auditors' 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 Auditors' 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
Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
London
Date: 27/3/2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 £	2022 £000
Revenue	4	**491,685**	*337,664*
Cost of sales		**(316,331)**	*(208,679)*
Gross profit		**175,354**	*128,985*
Distribution costs		**(651)**	*(299)*
Administrative expenses		**(195,500)**	*(108,687)*
Other operating income	5	**-**	*166*
Operating (loss)/profit	6	**(20,797)**	*20,165*
Income from shares in group undertakings	10	**17,063**	*-*
Income from joint ventures and associated undertakings	9	**300**	*600*
Finance income	11	**976**	*292*
Finance costs	12	**(2,664)**	*(2,015)*
(Loss)/profit before income tax		**(5,122)**	*19,042*
Income tax (expense)/credit	13	**(2,149)**	*1,115*
(Loss)/profit for the financial year		**(7,271)**	*20,157*

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The notes on pages 20 to 66 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note		2023 £000		2022 £000
Fixed assets					
Goodwill	14		**30,373**		*26,826*
			30,373		*26,826*
Other fixed assets					
Intangible assets	15		**10,179**		*7,970*
Tangible assets	16		**47,145**		*40,298*
Investments	17		**550**		*13,648*
			88,247		*88,742*
Current assets					
Inventories	18	**8,029**		*7,523*	
Trade and other receivables	19	**61,483**		*94,524*	
Cash and cash equivalents	20	**31**		*1*	
		69,543		*102,048*	
Creditors: amounts falling due within one year	21	**(90,287)**		*(111,837)*	
Net current liabilities			**(20,744)**		*(9,789)*
Total assets less current liabilities			**67,503**		*78,953*
Creditors: amounts falling due after more than one year	22		**(31,212)**		*(20,128)*
			36,291		*58,825*
Provisions for liabilities					
Other provisions	25	**(7,571)**		*(4,762)*	
			(7,571)		*(4,762)*
Net assets			**28,720**		*54,063*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2023

	Note	2023 £000	2022 £000
Equity			
Called up share capital	26	**30**	*30*
Share premium	27	**839**	*839*
Capital contribution reserve	27	**152**	*152*
Merger reserve	27	**(38,939)**	*(20,867)*
Retained earnings	27	**66,638**	*73,909*
		28,720	*54,063*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
27/3/2024

J E C Walters
Director

The notes on pages 20 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium	Capital contribution reserve	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 July 2022	30	839	152	(20,867)	73,909	54,063
Comprehensive income for the year						
Loss for the year	-	-	-	-	(7,271)	(7,271)
Creation of merger reserve	-	-	-	(18,072)	-	(18,072)
Other comprehensive income for the year	-	-	-	(18,072)	-	(18,072)
Total comprehensive income for the year	-	-	-	(18,072)	(7,271)	(25,343)
At 30 June 2023	30	839	152	(38,939)	66,638	28,720

The notes on pages 20 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share premium	Capital contribution reserve	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 July 2021	30	839	152	-	53,752	54,773
Comprehensive income for the year						
Profit for the year	-	-	-	-	20,157	20,157
Creation of merger reserve	-	-	-	(20,867)	-	(20,867)
Other comprehensive income for the year	-	-	-	(20,867)	-	(20,867)
Total comprehensive income for the year	-	-	-	(20,867)	20,157	(710)
At 30 June 2022	30	839	152	(20,867)	73,909	54,063

The notes on pages 20 to 66 form part of these financial statements.

1. General information

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

The financial information contained in the statement and in the notes is rounded to the nearest £1,000.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101, effective from 01 July 2021, is given in note 33.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

First time application of FRS 101

In the current year the Company has adopted FRS 101 with transition date of 1 July 2021. In previous years the financial statements were prepared in accordance with Financial Reporting Standards applicable in the UK and Republic of Ireland ("FRS 102").

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Paragon Customer Communications Limited as at 30 June 2023 and these financial statements may be obtained from Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB..

2.3 Consolidation

The company is a wholly owned subsidiary of Paragon Customer Communications Limited, a company incorporated in England and Wales. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Paragon Customer Communications Limited which can be obtained from Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

2. Accounting policies (continued)

2.4 Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its parent company (PCC Global Plc - "The PCC Global Group"). The PCC Global 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 2024 and until the end of March 2025, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current micro economy, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Four scenarios were considered for the PCC Global Group in preparing our going concern assessment, being a management case showing 2024 and the first quarter of 2025 in line with expectations and three other downside scenarios, and using one scenario which is severe but plausible assumptions to the management base case. The management case which is built up from detailed projections for each of the PCC Global Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2024 and into the first quarter of 2025;
- 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; The downside case included further reductions of 10%, 15% and 21% in turnover across the four divisions for 2024 and into the first quarter of 2025 to reflect a scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of next year. Those projections showed that the PCC Global Group will continue to operate viably over that period.
- Additional measures are available to management such as reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by PCC Global Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- And, should any of the downside cases occur, management are confident that positive action could be taken to mitigate this position, and prevent any breach of covenants, such as: implementation of cost savings, restructuring and cash management.

Outcome of assessment

Overall the PCC Global Group has remained profitable at the underlying EBITDA level, for the first seven months of the 2024 financial year. While the PCC Global Group is behind budget post year end due to operational reasons, management have taken positive action to ensure the PCC Global Group is on track to meet its covenants. The Directors are confident that the PCC Global 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, mitigating actions available to management and existing liquidity.

Having received written support from PCC Global Plc, the Directors are of the view that there is a reasonable expectations 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.

2. Accounting policies (continued)

2.5 Revenue

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

Revenue is measured at the transaction price that is allocated to the relevant performance obligations, net of trade discounts, up-front payments, VAT and other sales-related taxes.

A performance obligation is a promise in a contract with a customer to transfer to the customer either goods or services.

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

When a payment is received in advance of a performance obligation being satisfied, it is recorded on the statement of financial position as deferred income. Revenue is then recognised at the point in time or over the period that the performance obligation is satisfied any of the following:

Revenue from goods and services recognised from contracts with customers are included in seven business lines which are summarised as follows:

- Business Process Outsourcing revenues include multi-channel inbound, back office and voting solutions.

- Customer communications revenues include outbound marketing, regulatory and transactional communications.

- Consulting and Agency revenues include creative services, campaign management, digital transformation, data analytics and automation.

- Lead Supply revenues include end to end management of marketing promotional materials.

- Supply Chain Management revenues include warehousing, fulfilment, co-packing and logistics.

- Workplace Solutions revenues include onsite creative and presentation services, mailroom, production and concierge.

In all cases, the performance obligation is generally defined at the level of each good and is not bundled.

Revenue is recognised over time on the basis that the customer simultaneously receives and consumers the benefits provided by our performance over the period of the contract for the following business lines:

o Customer communications (regulatory and transactional communications)
o Business Process Outsourcing
o Consulting and Agency
o Supply Chain Management
o Workplace Solutions except placement and rental income

For the majority of customer contracts recognised over-time, the company has elected to use the practical expedient in IFRS 15 B16 to recognise revenue as they have a right to consideration in an amount that corresponds directly with the value to the customer of the company's performance

2. Accounting policies (continued)

completed to date.

Revenue is recognised at point in time for all other business lines such as Customer Communications (marketing) and Lead Supply. Revenue is recognised when control of the asset is transferred which occurs either on delivery or despatch depending on the terms of each specific customer arrangements..

No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Revenue is recognised when control of the asset is transferred which occurs either on delivery or despatch depending on the terms of each specific customer arrangements.

Customers are not offered a contract with significant funding components. There are no warranties in place.

2.6 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.

2.7 Goodwill

Goodwill represents the difference between amounts paid compared to the value of the net assets acquired in trade and assets deals where acquisition accounting has been deemed to be applicable and applied.

Both fair value and provisional fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out in 2.10 below.

2. Accounting policies (continued)

2.8 Other intangible assets

Intangible assets are 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.

Patent

Patent represent the cost of acquiring protection for the intellectual property owned either through direct application or through business combinations. Subsequent to initial recognition, patent is measured at cost less accumulated amortisation and accumulated impairment losses. Patent is amortised on a straight basis over the period in which it is in force.

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 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.

Computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Statement of Financial Position at cost less amortisation. These assets are amortised on a straight line basis over their estimated useful lives, which is generally two to three years.

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.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model 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.

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

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
Motor vehicles	- 3 - 5 years
Fixtures and fittings	- 3 - 5 years
Computer equipment	- 2 - 3 years
Right of use assets	- On a straight line basis, shorter of remaining term of lease or remaining economic life of the ROU asset

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 reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.10 Non-statutory measures

The company has adopted an accounting policy that seeks to highlight significant items of income and expense within the results for the year. The Directors believe that this presentation provides a more useful analysis, especially in light of its very acquisitive strategic spend. APM's are used to enable a comparison of performance between years once these non-underlying items have been taken into account.

Such items may include significant restructuring and integration costs, profits or losses on disposal or termination of operations or significant contracts, litigation costs and settlements, profits or loss on disposal of investments, significant impairment of assets and acquisition related profits or losses and subsidiary acquisition costs.

Non-statutory measures are defined below while the breakdown for the year can be found in Note 33 below.

• EBITDA is earnings before, interest, tax, depreciation and amortisation. It also includes all restructuring and non-underlying items and any gains/(losses) arising on or from acquisitions (including gains on bargain purchases).
• Underlying EBIT and EBITDA is stated after adjusting for items which in the opinion of the Directors are non-underlying due to their nature, size or incidence. Whilst costs/gains of this nature can reoccur they have been highlighted to provide a better understanding of the underlying performance of this trading group.

2. Accounting policies (continued)

2.11 Impairment

The carrying amounts of the company's intangible assets, right-of-use assets and property, plant and equipment are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment charge is recognised in the Income Statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

2.12 Investments

Investments in subsidiaries, Associates and Joint Ventures are held at cost less impairment.

2.13 Inventories

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

2. Accounting policies (continued)

2.14 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit risk arising in the context of the company's operations is not significant with the total bad debt provision at the Statement of Financial Position date amounting to 2.4% of gross trade receivables (2022: 6.6%). Customer credit risk is managed centrally according to established policies, procedures and controls. Customer credit quality is assessed in line with strict credit rating criteria and credit limits established where appropriate.

Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short term investments with an original maturity of three months or less.

Factoring arrangements

The company 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 factors, the undrawn amount is held within the receivable balance and is due from the debt factorers.

Trade and other payables

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

Other financial liabilities including amounts owed to group undertakings are measured initially at fair value and subsequently at amortised cost usinf effective interest method

2. Accounting policies (continued)

2.15 Leases

At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contact conveys a right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets or for a duration of twelve months or less.

The company recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the company.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred; and the amount of any dilapidations provisions recognised where the company is contractually required to dismantle, remove or restore the leased asset. Right-of-use assets are disclosed under three separate categories in the financial statements. These include land and buildings, plant and machinery and other (made up of fixtures & fittings and software).

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless, as is typically the case, this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged through- out the lease term.

Other variable lease payments are expenses in the period to which they relate.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance out- standing and are reduced for lease payments made. Right- of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate of index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

2.16 Finance income

Interest income is recognised in profit or loss using the effective interest method.

2.17 Finance costs

Finance costs are charged to profit or loss 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.

2. Accounting policies (continued)

2.18 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company 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 company in independently administered funds.

2.19 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

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 and non monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2. Accounting policies (continued)

2.20 Provisions

Provisions are made where an event has taken place that gives the company 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 company 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.

Restructuring provisions are recognised only when the company has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline and the employees affected have been notified of the plan's main features.

Dilapidations are the provisions recorded for the costs of returning properties held under lease to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease.

2. Accounting policies (continued)

2.21 Current and deferred taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit.

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

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

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

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Critical accounting judgements

In the course of applying the company's accounting policies the following judgements have been made which could have a significant effect on the results of the company were they subsequently found to be inappropriate.

Cash generating units

A cash generating unit ("CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Because the CGU definition is based on cash flows, the division process should focus on an entity source of revenue and how assets are utilised in generating revenues.

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from the business combination.

Management makes decisions around revenues on a divisional basis. The aim is to negotiate deals on a divisional basis with invoices sold across each division and therefore the cash flows are interdependent on each other. The only one CGU recognised by the company is PCC UK.

For the purpose of impairment testing, goodwill is allocated to PCC UK's cash generating unit that is expected to benefit from the synergies of the combinations.

As the company evolves, the appropriateness of the CGUs is monitored and when necessary, updated.

Non-underlying item presentation

IAS 1 'Presentation of Financial Statements' requires material items to be disclosed separately in a way that enables the users to assess the quality of a company's profitability. In practice, these are commonly referred to as 'non-underlying' items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in headline profit. We consider items which are non- recurring and/or significant in size or in nature to be suitable for separate presentation. Please see note 34 to the financial statements for further details in relation to non-underlying items.

Accounting estimates

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates. The following areas of estimation could have an effect on the results of the company were they subsequently found to be inaccurate.

Deferred tax assets
The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The company recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Please see note 24 to the financial statements for further details.

4. Revenue

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

	2023 £000	2022 £000
Customer communications	337,793	178,423
Business Processing Ooutsourcing	30,544	20,218
Lead Supply	64,027	98,035
Workplace Solutions	34,160	12,416
DCX - Consulting & Agency	25,161	28,572
	491,685	337,664

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	474,543	320,522
Rest of Europe	13,972	13,972
Rest of the world	3,170	3,170
	491,685	337,664

Timing of revenue recognition:

	2023 £000	2022 £000
Goods and services transferred at a point in time	157,926	137,746
Goods and services transferred over time	333,759	199,918
	491,685	337,664

5. Other operating income

	2023 £000	2022 £000
Other operating income	-	166
	-	166

During the financial year, the company received £Nil (2022: £166,000) government assistance relating to the wages and salaries costs of employees furloughed under the Coronavirus Job Retention Scheme. Grants received in 2022 were recognised in accordance with IAS 20.

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2023 £000	2022 £000
Depreciation of tangible assets	2,908	4,174
Amortisation of right-of-use assets	12,329	6,703
Amortisation of intangible assets	3,556	6,196
Impairment of right-of-use assets	2,163	-
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	370	200
Exchange differences	113	36
Profit on disposal of fixed assets	(700)	(37)
Investment impairment	13,836	-
Inventories recognised as expense	108,846	83,088

7. Employees

Staff costs were as follows:

	2023 £000	*2022 £000*
Wages and salaries	**108,773**	*58,787*
Social security costs	**10,822**	*5,971*
Cost of defined contribution scheme	**3,256**	*1,621*
	122,851	*66,379*

Included in wages and salaries above is the redundancy cost amounting to £6,907,000 (2022: £5,240,000).

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

	2023 No.	*2022 No.*
Operations	**2,253**	*1,387*
Administration	**764**	*426*
	3,017	*1,813*

8. Directors' remuneration

The directors were remunerated through other Paragon UK Group companies and no recharges were made as it was not possible to determine the proportion of the directors' work that was performed for the company.

9. Income from shares in group undertakings

	2023 £000	*2022 £000*
Dividends received from shares in group undertakings	**17,063**	*-*

10. Income from joint ventures and associated undertakings

	2023 £000	2022 £000
Dividends received from joint ventures and associates	**300**	*600*

11. Finance income

	2023 £000	2022 £000
Interest receivable from group companies	**976**	-
Net exchange gain on foreign currency borrowings	**-**	*292*
	976	*292*

12. Finance costs

	2023 £000	2022 £000
Discount charges	**46**	*12*
Net exchange loss on foreign currency borrowings	**127**	-
Loans from group undertakings	**-**	*1,312*
Finance charge on lease liabilities	**1,929**	*691*
Other interest	**562**	-
	2,664	*2,015*

13. Tax on (loss)/profit

	2023 £000	2022 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	2,170	(1,115)
Adjustment in respect of prior periods	(21)	-
Total deferred tax	2,149	(1,115)
Taxation on (loss)/profit on ordinary activities	2,149	(1,115)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2022 - lower than)* the standard rate of corporation tax in the UK of 20.5% *(2022 - 19%)*. The differences are explained below:

	2023 £000	2022 £000
(Loss)/profit on ordinary activities before tax	(5,122)	19,042
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022 - 19%)	(1,050)	3,618
Effects of:		
Expenses not deductible for tax purposes	4,669	(225)
Non-taxable dividend income	(3,550)	(114)
Fixed asset differences	1,413	-
Adjustments to tax charge in respect of prior periods	(21)	-
Remeasurement of deferred tax for changes in tax rates	54	(1,054)
R & D expenditure credits	9	-
Movement in deferred tax not recognised	625	662
Group relief	-	(4,002)
Total tax charge/(credit) for the year	2,149	(1,115)

13. Tax on (loss)/profit (continued)

Factors that may affect future tax charges

OECD Pillar 2 On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The company has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. Paragon Customer Communications (London) Limited currently falls below the prescribed thresholds, the company falls into scope of Pillar 2 tax rules because of total revenue generated within the wider PCC Global Group.

The UK Budget announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which was 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.

14. Goodwill

	2023 £000
Cost	
At 1 July 2022	**26,826**
Acquisition	**2,049**
On hive of subsidiaries	**1,497**
At 30 June 2023	**30,372**
Net book value	
At 30 June 2023	**30,372**
At 30 June 2022	*26,826*

Goodwill acquired through business combinations has been allocated to one CGU, PCC UK, for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of a CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The company reviews the carrying value of the CGU at least annually or more frequently if there is an indication that the CGU may be impaired.

The recoverable amount of the CGU is based on a value in use computation, which has been calculated over a five year period. The cash flow forecasts employed for this computation are extracted from budgets and specifically excludes future acquisition activities. Cash flows for a further period are based on the assumptions underlying the budgets.

A present value of the future cash flows is calculated using a post-tax discount rate representing the company's estimated before tax weighted average cost of capital, adjusted to reflect risks associated with the CGU. The post-tax discount rates applied was 12.8% (2022: 11.5%) while the long term growth rate was 2.5% (2022: 2.5%).

Key assumptions include management's estimates on sales growth and discount rates. Cash flow forecasts and key assumptions are generally determined based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business. The prior year assumptions were prepared on the same basis.

Applying these techniques, no impairment charge arose in 2023 (2022: £Nil)

Management believes that any reasonable change in any of the key assumptions for the PCC UK CGU would not cause the carrying value of the goodwill to exceed its fair value.

15. Intangible assets

	Patents £000	Development expenditure £000	Customer relationships £000	Computer software £000	Total £000
Cost					
At 1 July 2022	**60**	**615**	**18,469**	**2,631**	**21,775**
Additions - Internal	**-**	**148**	**-**	**4,642**	**4,790**
Arising on hive of subsidiaries	**-**	**-**	**9**	**966**	**975**
At 30 June 2023	**60**	**763**	**18,478**	**8,239**	**27,540**
Amortisation					
At 1 July 2022	**-**	**10**	**13,310**	**485**	**13,805**
Charge for the year	**-**	**179**	**1,786**	**1,591**	**3,556**
At 30 June 2023	**-**	**189**	**15,096**	**2,076**	**17,361**
Net book value					
At 30 June 2023	**60**	**574**	**3,382**	**6,163**	**10,179**
At 30 June 2022	*60*	*605*	*5,159*	*2,146*	*7,970*

16. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Right-of-use assets £000	Total £000
Cost							
At 1 July 2022	7,987	14,700	60	2,319	2,222	40,643	67,931
Additions	3,033	745	-	21	52	17,530	21,381
Arising on business combinations	89	1,138	-	80	76	3,940	5,323
Disposals	(2,568)	(7,897)	-	(451)	(159)	(4,373)	(15,448)
Transfer between classes	-	(3,740)	-	-	-	3,740	-
At 30 June 2023	8,541	4,946	60	1,969	2,191	61,480	79,187
Depreciation							
At 1 July 2022	5,646	7,116	22	1,627	1,999	11,224	27,634
Charge for the year	839	1,564	15	298	192	12,329	15,237
Disposals	(2,235)	(7,773)	-	(451)	(159)	(2,374)	(12,992)
Impairment charge	-	-	-	-	-	2,163	2,163
At 30 June 2023	4,250	907	37	1,474	2,032	23,342	32,042
Net book value							
At 30 June 2023	4,291	4,039	23	495	159	38,138	47,145

16. Tangible fixed assets (continued)

At 30 June 2022	*2,341*	*7,584*	*38*	*693*	*223*	*29,419*	*40,298*

16. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2023 £000	*2022 £000*
Tangible fixed assets owned	**9,007**	*10,879*
Right-of-use tangible fixed assets	**38,138**	*29,419*
	47,145	*40,298*

Information about right-of-use assets is summarised below:

Net book value

	2023 £000	*2022 £000*
Property	**28,435**	*21,399*
Plant and machinery	**9,197**	*7,487*
Motor vehicles	**438**	*502*
Office and computer equipment	**68**	*31*
	38,138	*29,419*

17. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 July 2022	**14,853**
At 30 June 2023	**14,853**
Impairment	
At 1 July 2022	**1,206**
Charge for the period	**13,097**
At 30 June 2023	**14,303**
Net book value	
At 30 June 2023	**550**
At 30 June 2022	*13,648*

The impairment has arisen as a result of group restructuring exercise carried out during the year. The trade and assets of WL CCM Ltd, With Reason Ltd and DG3 Holding (Group) Limited were transferred at fair value with a dividend subsequently paid to reduce the net asset position to £Nil hence an impairment has arisen in the investments held in the companies. The investment in The Lettershop Limited was also impaired as a result of the shutdown of the company's operations.

Subsidiary undertaking

The followings were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Directly held:				
Paragon Customer Communications (Luxembourg) Limited	Luxembourg	Ordinary	100%	Pre-press and pre-media services
DG3 Holdings Limited	England & Wales	Ordinary	100%	Printing services
With Reasons Ltd	England & Wales	Ordinary	100%	Dormant
WL CCM Limited	England & Wales	Ordinary	100%	Dormant
The Lettershop Limited	England & Wales	Ordinary	100%	Printing services
Jimminson Packaging Services Limited	England & Wales	Ordinary	100%	Packaging
JPS (Nottm) Ltd	England & Wales	Ordinary	100%	Holding company

17. Fixed asset investments (continued)

The registered address for all the subsidiaries is Lower Ground Floor, Park House, 16/18 Finsbury Circus, London England, EC2M 7EB except for Jimminson Packaging Services Limited and JPS (Nottm) Ltd which is James Watson House, Rosehill Industrial Estate, Carlisle, Cumbria, CA1 2UU.

Participating interests

The company has a participating interest in a joint venture whose principal activities include Billings and its country of incorporation is England and Wales. The amount of the investments in the joint venture is less than £1,000.

Joint venture

The following was a joint venture of the Company:

Name	Registered office	Holding
dsi Billing Services Limited	Evolution House, Chaots Road, Dagenham, Essex RM9 6BF	50%

18. Stocks

	2023 £000	2022 £000
Raw materials and consumables	**6,164**	*6,059*
Work in progress	**1,865**	*1,464*
	8,029	*7,523*

The replacement cost of raw materials and consumables is not materially different from the amounts stated above.

19. Trade and other receivables

	2023 £000	2022 £000
Trade receivables	**12,579**	*4,558*
Amounts owed by group undertakings	**8,011**	*54,895*
Amounts owed by joint ventures	**611**	*613*
Other receivables	**4,160**	*3,155*
Prepayments and accrued income	**26,682**	*21,505*
Deferred taxation	**9,440**	*9,798*
	61,483	*94,524*

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

Accrued income consists of contract assets which are balances due from customers under long term contracts as work is performed and therefore contract assets are recognised over the period in which the performance obligation is fulfilled. This represents the company's right to consideration for the services performed to date. Amounts are generally reclassified to trade receivables when they have been certified or invoiced to a customer and invoices are generally raised in arrears in line with the contractual arrangements with customers.

Amounts owed by group undertakings are unsecured, repayable on demand and bears no interest except the amounts owed by the immediate parent undertaking that bears interest at 2% above LIBOR.

20. Cash and cash equivalents

	2023 £000	*2022 £000*
Cash at bank and in hand	**31**	*1*
	31	*1*

21. Creditors: Amounts falling due within one year

	2023 £000	*2022 £000*
Trade creditors	**38,968**	*29,349*
Amounts owed to group undertakings	**10,530**	*31,038*
Other taxation and social security	**2,981**	*7,214*
Lease liabilities (see Note 22)	**9,382**	*10,697*
Other creditors	**1,788**	*3,021*
Accruals and deferred income	**26,638**	*30,518*
	90,287	*111,837*

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

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

	2023 £000	*2022 £000*
Lease liabilities (see Note 22)	**31,206**	*18,043*
Amounts owed to group undertakings	**-**	*1,769*
Government grants received	**6**	*67*
Accruals and deferred income	**-**	*249*
	31,212	*20,128*

Amounts owed to group undertakings are unsecured and bears interest at 4.14% (2022: 2.33%).

23. Leases

Right of use assets

	ROU land and buildings	ROU plant and machinery	ROU others	Total
	£'000	£'000	£'000	£'000
Financial year ended 30 June 2022				
Opening net book value	11,345	5,527	290	17,162
Additions	7,379	176	157	7,712
Amortisation	(3,670)	(2,780)	(253)	(6,703)
Amounts recognised in respect of hive across transactions	7,429	4,564	339	12,332
Disposals	(1,084)	-	-	(1,084)
At 30 June 2022	**21,399**	**7,487**	**533**	**29,419**
At 30 June 2022				
Cost or deemed cost	24,929	13,883	786	39,598
Accumulated amortisation	(3,530)	(6,396)	(253)	(10,179)
Net book amount	**21,399**	**7,487**	**533**	**29,419**
Financial year ended June 2023				
Opening net book value	21,399	7,487	533	29,419
Additions	678	5,684	247	6,609
Acquisition	160	124	2	286
Amortisation	(5,920)	(5,980)	(429)	(12,329)
Amounts recognised on hive across transactions	809	2,978	153	3,940
Modification	14,376	-	-	14,376
Impairment	(2,163)	-	-	(2,163)
Disposals	(904)	(1,096)	-	(2,000)
At 30 June 2023	**28,435**	**9,197**	**506**	**38,138**
At 30 June 2023				
Cost or deemed cost	39,997	18,991	1,189	**60,177**
Accumulated amortisation	(11,562)	(9,794)	(683)	(22,039)
At 30 June 2023	**28,435**	**9,197**	**506**	**38,138**

23. Leases (continued)

Lease liabilities

	Land and buildings	Other	Total
	£'000	£'000	£'000
Cost			
At 1 July 2021	9,173	6,191	15,364
Additions	7,379	302	7,681
Amounts recognised in respect of hive across transactions	7,487	5,450	12,937
Disposals	(954)	-	(954)
Interest	470	271	741
Repayments	(3,873)	(3,156)	(7,029)
At 30 June 2022	**19,682**	**9,058**	**28,740**
Current	5,362	5,335	10,697
Non-current	14,320	3,723	18,043
At 30 June 2022	**19,682**	**9,058**	**28,740**
Cost			
At 1 July 2022	19,682	9,058	28,740
Additions	678	5,472	6,150
Acquisition	160	126	286
Amounts recognised in respect of hive across transactions	851	2,784	3,635
Disposals	(944)	(1,074)	(2,018)
Interest	1,491	428	1,919
Modification to lease terms	14,153	-	14,153
Repayments	(6,541)	(5,736)	(12,277)
At 30 June 2023	**29,530**	**11,058**	**40,588**
Current	5,400	3,982	9,382
Non-current	24,130	7,076	31,206
At 30 June 2023	**29,530**	**11,058**	**40,588**

Undiscounted cashflows - June 2023

	Land and buildings	Other	Total
	£'000	£'000	£'000
Not later than one year	5,786	4,265	10,051
Between two to five years	16,197	6,847	23,044
Greater than five years	14,428	5	14,433
Total undiscounted cashflows	36,411	**11,117**	**47,528**

23. Leases (continued)

Amounts recognised in the comprehensive income statement

	2023 **£'000**	2022 £'000
Amortisation charges:		
Right-of-use assets	12,329	6,703
Impairment:		
Right-of-use assets	2,163	-
Finance costs:		
Right-of-use assets	1,919	741
Operating expenses:		
Expenses relating to short-term leases	4	4
Expenses relating to lease of low value assets	100	39

As at 30 June 2022, the maturity of the company's undiscounted cashflows on IFRS16 leases were as follows:

	Land and buildings	**Other**	**2022 Total**
	£'000	**£'000**	**£'000**
Not later than one year	7,077	4,900	**11,977**
Between two to five years	19,505	7,740	**27,245**
Greater than five years	2,979	-	**2,979**
Total undiscounted cashflows	**29,561**	**12,640**	**42,201**

Leasing activities

The company enters into leases for a range of assets, principally relating to property and machinery. Property leases consist of production sites and office buildings and have varying terms, renewal rights and escalation clauses, including periodic rent reviews. Leases of machinery include those used for production of finished goods.

Extension and termination options

Extension and termination options are included in a number of property leases throughout the sites. They are used to maximise operational flexibility in terms of managing the assets used in the company's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated).

In determining whether a renewal or termination option will be taken, the following factors are normally the most relevant:

- The future intended use of the leased asset and future developments;
- If there are significant penalties to terminate (or not to extend), the company is typically certain to extend (or not terminate);
- Strategic importance of the asset to the company;
- Past practice; and
- Costs and business disruption to replace the asset.

The lease term is reassessed if an option is exercised (or not exercise) and this decision has not already reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

Paragon Group's weighted average incremental borrowing rate for all leases, which the company adopted, has been calculated by country and ranges from 2.5% to 6.5%. As a practical expedient, a lessee may apply it with a reasonably similar characteristics; leases have been grouped according to location, type and lease length.

The practical expedient has been employed such that leases where the contractual term ends within twelve months of the date of initial application have been accounted for as short-term leases.

The company has elected to rely on its assessment on whether a lease is onerous under IAS37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application and included an adjustment to the right-of-use asset in accordance with this. The weighted average incremental borrowing rate for leases included in continuing operations are listed above.

Operating lease commitments consisted of the total future minimum lease payments of £6,000 (2022: £19,000) for short term leases and £39,000 (2022: £139,000) for low value leases which were not accounted for under IFRS 16 Leases.

24. Deferred taxation

	2023 £000	2022 £000
At beginning of year	**9,798**	*2,859*
(Charged)/credited to profit or loss	**(2,149)**	*1,115*
Arising on hive across transactions	**1,176**	*5,824*
Arising on transfer of trade	**615**	-
At end of year	**9,440**	*9,798*

The deferred tax asset is made up as follows:

	2023 £000	2022 £000
PPE and intangible assets	**4,088**	*5,141*
Tax losses carried forward	**5,041**	*4,229*
Provisions	**265**	*428*
Other deductible temporary differences	**46**	-
	9,440	*9,798*

Deferred tax assets of £4,816,403 (2022: £1,901,527) were not recognised due to restrictions relating to the utilisation of losses arising prior to 1 April 2017 and the uncertainty around when future taxable profits will be generated to utilise the losses.

25. Provisions

	Restructuring £000	Dilapidations £000	Annual Compensation Payments £000	Total £000
At 1 July 2022	101	4,513	148	4,762
Charged to profit or loss	3,036	570	-	3,606
Intercompany transfer	-	-	(148)	(148)
Arising on hive across transactions	-	1,035	-	1,035
Utilised in year	(374)	(1,310)	-	(1,684)
At 30 June 2023	2,763	4,808	-	7,571

The dilapidation provisions represents the estimated cost of repairs and restoration 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 restructuring provision includes redundancy and related charges incurred on the closure or restructuring of company's operations. Restructuring provisions are recognised when the company has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features. The calculation of restructuring provisions requires estimates in some circumstances to be made about the amounts and timing of resulting payments. Current provisions represent the anticipated payments to occur in the next twelve months.

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.

26. Called up share capital

	2023 £000	*2022 £000*
Allotted, called up and fully paid		
29,906 *(2022 - 29,906)* Ordinary shares of £1.00 each	30	*30*

27. Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution reserve

This represents funds for share-based payments plans no longer operational.

Merger Reserve

Merger reserve arose on past business combinations that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Retained earnings

This reserve records the cumulative amount of profits and losses less any dividend distributions made.

28. Business combinations and hive up transactions

External acquisition made by the company during the year were that of Image Factory (A division of Service Graphics Limited) on October 1, 2022 and Jimminson Packaging Services Limited on 21st February 2023.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Image Factory £000	Jimminson Packaging Services Limited £000	Total £000
Fixed Assets			
Tangible	703	-	703
Right of use assets	286	-	286
	989	-	989
Current Assets			
Stocks	232	-	232
Debtors	206	-	206
Total Assets	1,427	-	1,427
Creditors			
Due within one year	(21)	-	(21)
Lease liabilities	(286)	-	(286)
Deferred taxation	(192)	-	(192)
Total Identifiable net assets	928	-	928
Goodwill - Image Factory			1,972
Goodwill - Jimminson Packaging Services Limited			77
Total purchase consideration			2,977

Consideration

	£000
Consideration for Image Factory	2,900
Consideration for Jimminson	77
Total purchase consideration	2,977

28. Business combinations and hive up transactions (continued)

Total outflow on acquisition

	£000
Purchase consideration settled as above	**2,977**

The results of Image Factory, since acquisition are as follows:

	Current period since acquisition £000
Turnover	**7,278**
(Loss) for the period since acquisition	**(946)**

Also, trade, assets and liabilities of WL CCM Limited, DG3 Group (Holdings) Limited and With Reason Ltd were hived into the entity. The effective dates for the hives were 1st July 2022 for both WL CCM Limited and DG3 Group (Holdings) Limited and 1st Decvember 2022 for With Reason Ltd. Total consideration for all the hives was £17,544,000.

	WL CCM Limited '000	DG3 Group (Holdings) Limited '000	With Reason Ltd '000	Total '000
Fixed assets				
Tangible	376	287	17	680
Right-of-use assets	1,107	2,669	164	3,940
Goodwill	-	1,497	-	1,497
Other intangibles	966	9	-	975
Deferred tax asset	1,118	250	-	1,368
	3,567	4,712	181	8,460
Current assets				
Stocks	985	468	-	1,453
Debtors	7,560	5,939	1,688	15,187
Debtors	593	66	296	955
Total assets	12,705	11,185	2,165	26,055
Creditors				
Payables and other creditors	(13,147)	(7,705)	(1,000)	(21,852)
Lease liabilities	(1,107)	(2,364)	(164)	(3,635)
Provisions for liabilities	(685)	(300)	(50)	(1,035)
Total identifiable net assets/(liabilities)	(2,234)	816	951	(467)
Creation of merger reserve	11,269	5,405	1,337	18,011

Total purchase consideration	9,035	6,221	2,288	17,544

29. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the schemes and amounted to £3,256,000 (2022 £1,621,000).

30. Related party transactions

The company has taken advantage of the exemption, under IAS 24 Related Party Disclosures, from disclosing related party transactions as they are all with other companies that are wholly owned by Paragon Customer Communications Limited.

The related party transactions undertaken in the year are as follows:

Joint ventures

	2023 £000	*2022 £000*
dsi Billing Services Limited		
Sales	**5,058**	*4,101*
Purchases	**-**	*(1)*
Management fees	**61**	*61*
Dividend received	**300**	*600*

	2023 £000	*2022 £000*
The following balances were owed by/(owed to) the company at the year end:		
dsi Billing Services Limited	**611**	*613*
	611	*613*

31. Ultimate parent undertaking and controlling party

Paragon Customer Communications Limited is the immediate parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Paragon Customer Communications Limited can be obtained from Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in the United Kingdom. PCC Global Limited, a wholly owned subsidiary of Paragon Group Limited, is the immediate parent undertaking of Paragon Customer Communications Limited and the largest group undertaking for which group accounts are drawn up. The consolidated financial statements of PCC Global Plc can be obtained from Park House, Lower Ground Floor, 16/18 Finsbury Circus, London, EC2M 7EB.

By virtue of shareholding in Paragon Group Limited, Patrick James Crean is the ultimate controlling party.

32. Post balance sheet events

On 28th December, 2023, certain trade and assets of Communisis UK Limited, the share capital of Editions Publishing Limited, Communisis Data Intelligence Limited were acquired by Paragon Customer Communications (London) Limited. These acquisitions extend the product offering to current Paragon Customer Communications clients and bring new clients to Paragon Customer Communications. The Turnover of Editions Publishing Limited in the last year of published results was £3.06m and the turnover of Communisis Data Intelligence Ltd was £1.46m. The impact of the acquisition of certain trade and assets on the overall performance on the business is yet to be completely ascertained.

The total purchase consideration for the acquisitions was £3,764,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

33. First time adoption of FRS 101

The Company transitioned to FRS 101 from previously extant UK GAAP as at 1 July 2021. The impact of the transition to FRS 101 is as follows:

	Note	*As previously stated 1 July 2021 £000*	*Effect of transition 1 July 2021 £000*	**FRS 101 (as restated) 1 July 2021 £000**	*As previously stated 30 June 2022 £000*	*Effect of transition 30 June 2022 £000*	**FRS 101 (as restated) 30 June 2022 £000**
Fixed assets	1,2,3	*46,175*	*12,490*	**58,665**	*60,464*	*28,278*	**88,742**
Current assets	4	*121,280*	*(966)*	**120,314**	*102,874*	*(906)*	**101,968**
Creditors: amounts falling due within one year	5,6	*(73,819)*	*(7,029)*	**(80,848)**	*(102,892)*	*(8,945)*	**(111,837)**
Net current assets/(liabilities)		*47,461*	*(7,995)*	**39,466**	*(18)*	*(9,851)*	**(9,869)**
Total assets less current liabilities		*93,636*	*4,495*	**98,131**	*60,446*	*18,427*	**78,873**
Creditors: amounts falling due after more than one year	5,6	*(38,107)*	*(2,791)*	**(40,898)**	*(6,367)*	*(13,761)*	**(20,128)**
Provisions for liabilities		*(756)*	*(1,704)*	**(2,460)**	*(3,207)*	*(1,555)*	**(4,762)**
Net assets		*54,773*	-	**54,773**	*50,872*	*3,111*	**53,983**
Capital and reserves	8,9	*54,773*	-	**54,773**	*50,872*	*3,111*	**53,983**

33. First time adoption of FRS 101 (continued)

	Note	*As previously stated 30 June 2022 £000*	*Effect of transition 30 June 2022 £000*	**FRS 101 (as restated) 30 June 2022 £000**
Turnover		*337,664*	-	**337,664**
Cost of sales		*(208,679)*	-	**(208,679)**
		128,985	-	**128,985**
Distribution expenses		*(299)*	-	**(299)**
Administrative expenses		*(110,809)*	*2,122*	**(108,687)**
Other operating income		*166*	-	**166**
Operating profit		*18,043*	*2,122*	**20,165**
Income from investments		*600*	-	**600**
Interest receivable and similar income		*292*	-	**292**
Interest payable and similar charges		*(1,482)*	*(533)*	**(2,015)**
Taxation		*1,035*	*80*	**1,115**
Profit on ordinary activities after taxation and for the financial year		*18,488*	*1,669*	**20,157**

Explanation of changes to previously reported profit and equity:

1 Fixed Asset table below highlights the individual component of the movement in fixed asset as a whole. Under FRS 102, goodwill was amortised over 10 years. IFRS does not allow for the systematic amortisation of goodwill, instead focussing on impairment. The movement in goodwill relates to the reversal of amortisation charged.

2 At the date of transition,total right of use assets identified amounted to £17,162,000 out of which £4,672,000 relates to plant and machinery under finance lease hence the impact of the transition was only £12,490,000. The analysis of the £28,278,000 total movement in 2022 can be found on the Fixed assets table below.

3 Acquisition related costs of £677,000 capitalised in 2022 under FRS 102 have been written off to the comprehensive income statement.

4 Under IFRS, transitional balances associated with leases, relating to the timing of payments have been reflected in the right of use asset.

33. First time adoption of FRS 101 (continued)

5 Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. At the date of transition to IFRS, the company applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the company recognised an increase of £10,280,000 at the date of transition and £23,062,000 as at 30/06/2022 (see tables below - Creditors: Amounts falling due within one year and after more than one year).

6 Under IFRS, transitional balances associated with leases, relating to rent incentives amounting to £460,000 have been reflected in the right of use asset and lease liabilities. £104,000 credited to the profit or loss in 2022 has been adjusted for resulting in a net movement in other creditors in 2022 to £356,000 (see table below - Creditors: Amounts falling after more than one year).

7 Onerous lease provisions of £476,000 accounted for under FRS 102 have been restated as an adjustment to the right-of-use assets on transition to FRS 101. There was an additional dilaps provisions of £2,180,000 at the transition date relating to right-of-use assets. The onerous provision charge of £149,000 to profit and loss relating to leased properties has been reversed. The net movement provisions in 2022 therefore amounted to £1,555,000 debit (see Provisions table below).

8 The P&L impact in 2022 as a result of the transition amounted £1,589,000 profit (see details on P&L impact table below).

9 The additional movement of £1,572,000 relates to changes in the calculation of net assets acquired on the hive of PCC International Limited to PCC London Limited in 2022. The £1,572,000 additional asset arose from a reversal of goodwill amortisation for the period July 2021 - March 2022.

	01 July 2021	30 June 2022	Total Balance Sheet Movements
	£'000	£'000	£'000
Fixed assets			
Goodwill	-	4,181	4,181
Property, plant and equipment	(4,672)	27	(4,645)
Right-of-use assets	17,162	12,257	29,419
Investments	-	(677)	(677)
	12,490	**15,788**	**28,278**

	01 July 2021	30 June 2022	Total Balance Sheet Movements
	£'000	£'000	£'000
Creditors: amounts falling due within one year			
Lease liabilities	(7,029)	(1,916)	(8,945)
	(7,029)	**(1,916)**	**(8,945)**

	01 July 2021	30 June 2022	Total Balance Sheet Movements
	£'000	£'000	£'000
Creditors: amounts falling due after more than one year			
Lease liabilities	(3,251)	(10,866)	(14,117)
Other creditors	460	(104)	356
	(2,791)	**(10,970)**	**(13,761)**

	01 July 2021	30 June 2022	Total Balance Sheet Movements
	£'000	£'000	£'000
Provisions			
Dilaps	(2,180)	-	(2,180)
Onerous	476	149	625
	(1,704)	**149**	**(1,555)**

33. First time adoption of FRS 101 (continued)

	2022
	£'000
P&L Impact	
Goodwill amortisation reversed	2,608
Investment acquisition costs written off	(677)
Onerous provision reversed	149
Rent free accrual reversed	(104)
Reversal of lease rental charged under FRS 102	4,515
Amortisation of right-of-use assets charged	(4,369)
Lease interest	(533)
Tax	80
	1,669

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

See below the underlying profit and EBITDA:

The total exceptional costs relating to restructuring (i.e.redundancy, industrial relocation and impairment of closed sites) is £27,067,000 (2022: £6,475,000).

	30 June 2023	30 June 2022
	£'000	£'000
Operating (loss)/ profit	**(20,797)**	20,165
Add back:		
Redundancy and related charges	**16,236**	5,240
Cost of industrial relocation, restructuring and consolidation	**8,668**	1,235
Impairment of Right-of-use assets	**2,163**	-
Investment impairment	**13,836**	-
Impairment of intercompany loan balance	**7,741**	-
Underlying operating profit	**27,847**	26,640

Underlying EBITDA

	30 June 2023	30 June 2022
	£'000	£'000
Operating (loss)/ profit	**(20,797)**	20,165
Add back:		
Depreciation of tangible assets	**2,908**	4,174
Amortisation of intangibles	**3,556**	6,196
Amortisation of right-of-use assets	**12,329**	6,703
Impairment of investment	**13,836**	-
Redundancy and related charges	**16,236**	5,240
Cost of industrial relocation, restructuring and consolidation	**8,668**	1,235
Impairment of Right-of-use assets	**2,163**	-
Impairment of intercompany loan balance	**7,741**	-
Underlying EBITDA	**46,640**	43,713