

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	P J Crean L T Salmon J E C Walters
Company secretary	J S R Dally
Registered number	06711794
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	National Westminster Bank PLC 92 High Street Huntingdon Cambridgeshire PE29 3DT

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 7
Independent Auditors' Report	8 - 12
Profit and Loss Account	13
Balance Sheet	14
Statement of Changes in Equity	15 - 16
Notes to the Financial Statements	17 - 39

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

Introduction

The directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006. The directors present this Strategic report and the audited financial statements for the year ended 30 June 2022.

Business review

The company's operations including the assets and liabilities were hived into Paragon Customer Communications (London) Limited on 1st April 2022.

The results for the company for the year show a profit before taxation of £10.7 million (2021 - £6.2 million loss) and turnover of £95.2 million (2021 - £124.3 million). This result includes a gain of £21.3m realised on the hive of the company's trade and assets to Paragon Customer Communications (London) Limited.

The dividend proposed and paid during the year amounted to 167.3p (2021 - 66.4p) per ordinary share.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Paragon Customer Communications Limited, which include those of the company, are discussed in Paragon Customer Communications Limited's group strategic report.

Key performance indicators

Paragon Customer Communications International Limited is a wholly owned subsidiary of Paragon Customer Communications Limited (the "group"). Paragon Customer Communications International 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 part of this report.

Strategy and future developments

The company will remain dormant for the foreseeable future period as its assets and operations have been transferred to Paragon Customer Communications (London) Limited.

Section 172 statement

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

The directors consider that the statement focuses on those risks and opportunities that were of strategic importance to Paragon Customer Communications International 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

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.

Jeremy Walters

J E C Walters
Director
Date: 30/3/2023

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

Principal activity

The principal activities of the company are the provisions of brand communication services including marketing services, customer management and business support services.

Results and dividends

The profit for the year, after taxation, amounted to £10.0m (2021 - £5.0m loss).

Details of future developments and dividends can be found in the strategic report and form part of this report by cross-reference.

Directors

The directors who served during the year were:

P J Crean
L T Salmon
J S Farmer (resigned 15 June 2022)
M S Gordon (resigned 15 June 2022)
S A Shine (resigned 15 June 2022)
J E C Walters

Going concern

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

Financial forecasts

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

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

the Group will continue to operate viably over that period.

Outcome of assessment

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

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

Financial risk management

Treasury management including currency and interest rate hedging is undertaken as part of the overall risk management strategy of the Paragon Group Limited group. The Company's borrowings are predominantly with other group companies and there is currently no interest rate hedging, and no hedge accounting has been adopted.

The main foreign currency in which the Company transacts is Euros. The Company has assets and liabilities which are denominated in Euros. The Company uses natural hedging by holding foreign currency assets to offset the foreign currency risk of the net assets and liabilities and associated interest. The directors consider this to be the Company's only material exposure to currency risk, but will continue to monitor the risk in the future.

Competitive pressure in the UK is a continuing risk for the Company. The Company manages this risk by providing added value services and by maintaining strong relationships with its customers.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the Company has sufficient resources to repay all future amounts outstanding.

The Company is exposed to customer credit risk through continuing uncertainty in the economy. The group has implemented policies that require appropriate credit checks on potential customers before work is undertaken. Additionally, any significant increases in activity on existing clients will result in a reassessment of their credit risk. The group uses a debt factoring agreement (including insurance) which minimises the exposure to credit risk.

Research and development

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.

Employment of disabled persons

The Company's policy regarding the employment of disabled persons is that full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

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 Paragon Group accounts.

Directors' qualifying third party provisions

Paragon Customer Communications Limited maintains liability insurance for the directors of Paragon Customer Communications International 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 International 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.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

Engagement with suppliers, customers and others

Suppliers

The performance of the company's suppliers is integral to its success. We have a diversified supplier base from small contractors to FTSE100 group 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 key 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 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

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 Paragon Group 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. These financial statements show the costs related to our ongoing integration with the Paragon group and our commitment to continue to offer the very best solutions for our customers, most notably our expansion into new key European financial centres including Luxembourg and Dublin. This investment builds on Paragon Customer Communications' cross-border expertise and presence

Disclosure of information to auditors

The directors confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director 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.

Independent auditor

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

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

Jeremy Walters
J E C Walters
Director
Date: 30/3/2023

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Paragon Customer Communications International Limited (the 'Company') for the year ended 30 June 2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL 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 Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the 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 section 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 audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

Matters on which we are required to report under 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, 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.

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:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and determined that the most significant are those that relate to the reporting frameworks (FRS102 and the Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the company's policies and procedures relating to:

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

- the identification, evaluation and compliance with laws and regulations; and
- the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing a sample journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud 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 noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the company including
 - the provisions of the applicable legislation;
 - the applicable statutory provisions.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud and through management override of controls in the preparation of the financial statements. corroborated the results of our enquiries to relevant supporting documentation.
- 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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

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 UK LLP

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2022 £000	2021 £000
Turnover	4	95,242	124,307
Cost of sales		(72,947)	(80,037)
Gross profit		22,295	44,270
Distribution costs		(128)	(153)
Administrative expenses		(32,968)	(56,497)
Other operating income	5	21,339	736
Operating profit/(loss)	6	10,538	(11,644)
Income from other fixed asset investments	10	-	5,340
Interest receivable and similar income	11	257	381
Interest payable and similar expenses	12	(98)	(311)
Profit/(loss) before tax		10,697	(6,234)
Tax on profit/(loss)	13	(675)	1,239
Profit/(loss) for the financial year		10,022	(4,995)

There were no recognised gains and losses for 2022 or 2021 other than those included in the profit and loss account.

The trade and assets of the company were sold to Paragon Customer Communications (London) Limited on 31 March 2022. The activities of the company were discontinued at this date.

The notes on pages 17 to 39 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
REGISTERED NUMBER: 06711794

BALANCE SHEET
AS AT 30 JUNE 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	15	-	6,366
Tangible assets	16	-	5,448
Investments	17	-	231
		<hr/>	<hr/>
		-	12,045
Current assets			
Stocks	18	-	1,749
Debtors: amounts falling due after more than one year	19	-	20,531
Debtors: amounts falling due within one year	19	76	29,600
Cash at bank and in hand	20	-	320
		<hr/>	<hr/>
		76	52,200
Creditors: amounts falling due within one year	21	(76)	(49,958)
		<hr/>	<hr/>
Net current assets		-	2,242
		<hr/>	<hr/>
Total assets less current liabilities		-	14,287
Creditors: amounts falling due after more than one year	22	-	(3,806)
Provisions for liabilities			
Other provisions	25	-	(3,773)
		<hr/>	<hr/>
		-	(3,773)
		<hr/>	<hr/>
Net assets		-	6,708
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	26	-	10,000
Profit and loss account		-	(3,292)
		<hr/>	<hr/>
		-	6,708
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Jeremy Walters

J E C Walters

Director

Date: 30/3/2023

The notes on pages 17 to 39 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2021	10,000	(3,292)	6,708
Comprehensive income for the year			
Profit for the year	-	10,022	10,022
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	10,022	10,022
Dividends: Equity capital	-	(16,730)	(16,730)
Shares cancelled during the year	(10,000)	-	(10,000)
Other movement - share capital reduction	-	10,000	10,000
	<hr/>	<hr/>	<hr/>
Total transactions with owners	(10,000)	(6,730)	(16,730)
	<hr/>	<hr/>	<hr/>
At 30 June 2022	-	-	-
	<hr/>	<hr/>	<hr/>

The notes on pages 17 to 39 form part of these financial statements.

During the year, the company reduced its issued share capital from £10,000,000 to £100 by cancelling and extinguishing 9,999,900 of the issued ordinary shares of £1 each in the company.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2020	40,000	(1,723)	38,277
Comprehensive loss for the period			
Loss for the year	-	(4,995)	(4,995)
	<hr/>	<hr/>	<hr/>
Other comprehensive loss for the period	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	(4,995)	(4,995)
Dividends: Equity capital	-	(26,574)	(26,574)
Shares cancelled during the year	(30,000)	-	(30,000)
Other movement - share capital reduction	-	30,000	30,000
	<hr/>	<hr/>	<hr/>
Total transactions with owners	(30,000)	3,426	(26,574)
	<hr/>	<hr/>	<hr/>
At 30 June 2021	10,000	(3,292)	6,708

The notes on pages 17 to 39 form part of these financial statements.

During the 2021 financial year, the company reduced its issued share capital from £30,000,000 to £10,000,000 by cancelling and extinguishing 30,000,000 of the issued ordinary shares of £1 each in the company.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. General information

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

The financial information contained in the statement and in the notes is rounded to the nearest £'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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Accounting policies (continued)

2.2 Going concern

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

Financial forecasts

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

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

Outcome of assessment

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

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Paragon Customer Communications Limited as at 30 June 2022 and these financial statements may be obtained from Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

2.4 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.

2.5 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 profit or loss 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 Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.6 Revenue

The company recognises revenue as principal when it is exposed to all significant benefits and risks associated with the selling price; assumption of credit risk; performance of part of the services or modification to goods supplied and discretion in supplier selection.

Transactional print and mail - The Company recognises revenue upon shipment to the customer and the transfer of title and risk of loss. Contracts generally specify F.O.B. shipping point terms.

Design and print management - The Company recognises revenue upon shipment to the customer and the transfer of title and risk of loss. Contracts generally specify F.O.B. shipping point terms. Under agreements with certain customers, custom products may be stored by the Company for future delivery. In these situations, the Company receives a logistics and warehouse management fee for the services it provides. In certain of these cases, delivery and billing schedules are outlined in the customer agreement and product turnover is recognised when manufacturing is complete, title and risk of loss transfer to the customer and there is reasonable assurance as to collectability. Because the majority of products are customized, product returns are not significant; however, the Company accrues for the estimated amount of customer credits at the time of sale. Billings for third party shipping and handling costs are included in net turnover and related costs are included in cost of sales.

Inbound document management - Revenue from services is recognised as the services are delivered to the customers. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

2.7 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)**2.9 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

2.10 Interest income

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

2.11 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.

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.13 Pensions**Defined contribution pension plan**

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 payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.14 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Profit and Loss Account over its useful economic life.

Development costs

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.16 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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.16 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.

Depreciation is provided on the following basis:

Short-term leasehold property	- Over the lease term
Plant and machinery	- 4 - 7 years
Fixtures and fittings	- 3 - 5 years
Computer equipment	- 2 - 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)**2.17 Impairment of tangible and intangible assets**

At each balance sheet date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of the reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

2.18 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

2.19 Debtors

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.20 Cash and cash equivalents

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

2.21 Creditors

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

2.22 Provisions for liabilities

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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 Balance Sheet.

2.23 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

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

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.23 Financial instruments (continued)

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

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

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

4. Turnover

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

	2022	2021
	£000	£000
Printmail	35,034	66,910
Services	60,208	57,397
	95,242	124,307

Analysis of turnover by country of destination:

	2022	2021
	£000	£000
United Kingdom	87,258	116,550
Rest of Europe	4,445	4,314
Rest of the world	3,539	3,443
	95,242	124,307

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

5. Other operating income

	2022	2021
	£000	£000
Gain from hive of assets (see note 29)	21,339	-
Government grants receivable	-	736
	21,339	736

During the financial year, the company received £Nil (2021 - £736,000) government assistance relating to the wages and salaries costs of employees furloughed under the Coronavirus Job Retention Scheme. Grants received have been recognised using the accrual model in accordance with FRS102 paragraph 24.5.

6. Operating profit/(loss)

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

	2022	2021
	£000	£000
Amortisation of goodwill	1,573	2,097
Amortisation of other intangibles	375	795
Depreciation of tangible fixed assets	1,751	2,351
Loss/(gain) on disposal of tangible fixed assets	-	1
Gain on disposal of investments	(3,011)	(6,060)
Exchange differences	(25)	(99)
Other operating lease rentals	-	-
- Plant and machinery	378	350
- Land and buildings	676	1,002

7. Auditors' remuneration

	2022	2021
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	100	173
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	100	173
	100	173

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

8. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	26,436	39,190
Social security costs	2,491	3,209
Cost of defined contribution scheme	1,119	1,240
	<u>30,046</u>	<u>43,639</u>

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

	2022	2021
	No.	No.
Production and distribution	815	820
Administration	74	282
	<u>889</u>	<u>1,102</u>

9. Directors' remuneration

During the year, 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 (2021 - £Nil).

10. Income from investments

	2022	2021
	£000	£000
Dividends received from unlisted investments	<u>-</u>	<u>5,340</u>

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

11. Interest receivable

	2022 £000	2021 £000
Interest receivable from group companies	257	381
	<u>257</u>	<u>381</u>

12. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	39	50
Loans from group undertakings	13	70
Finance leases and hire purchase contracts	46	12
Other interest payable	-	179
	<u>98</u>	<u>311</u>

13. Taxation

	2022 £000	2021 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	129	464
Changes to tax rates	-	(1,726)
Adjustment in respect of prior years	546	23
Total deferred tax	<u>675</u>	<u>(1,239)</u>
Taxation on profit/(loss) on ordinary activities	<u>675</u>	<u>(1,239)</u>

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) on ordinary activities before tax	10,697	(6,234)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,032	(1,184)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5	1
Adjustments to tax charge in respect of prior periods	546	23
Short term timing difference leading to an increase (decrease) in taxation	166	332
Other timing differences leading to an increase (decrease) in taxation	-	63
Non-taxable income	(4,387)	(2,166)
Group relief	2,384	3,306
Remeasurement of deferred tax	(71)	(1,614)
Total tax charge for the year	675	(1,239)

Factors that may affect future tax charges

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

14. Dividends

	Year ended 30 June 2022 £000	Year ended 30 June 2021 £000
Dividend paid for the year amounted to 167.3p (30 June 2021 - 66.4p) per ordinary share	16,730	26,574
	<u>16,730</u>	<u>26,574</u>

15. Intangible assets

	Developmen t expenditur e £000	Computer software £000	Goodwill £000	Total £000
At 1 July 2021	4,153	-	43,919	48,072
Additions	-	229	-	229
Intra-group hive (see note 29)	(4,153)	(229)	(43,919)	(48,301)
At 30 June 2022	-	-	-	-
At 1 July 2021	3,771	-	37,935	41,706
Charge for the year on owned assets	349	26	1,573	1,948
Intra-group hive (see note 29)	(4,120)	(26)	(39,508)	(43,654)
At 30 June 2022	-	-	-	-
Net book value				
At 30 June 2022	-	-	-	-
At 30 June 2021	382	-	5,984	6,366

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

16. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
At 1 July 2021	1,953	8,949	2,435	20,425	33,762
Additions	65	61	6	9	141
Intra-group hive (see note 29)	(1,953)	(7,770)	(1,612)	(19,196)	(30,531)
Disposals	(65)	(1,240)	(829)	(1,238)	(3,372)
At 30 June 2022	-	-	-	-	-
At 1 July 2021	1,083	6,075	2,136	19,020	28,314
Charge for the year	254	677	149	671	1,751
Intra-group hive (see note 29)	(1,271)	(5,536)	(1,456)	(18,453)	(26,716)
Disposals	(66)	(1,216)	(829)	(1,238)	(3,349)
At 30 June 2022	-	-	-	-	-
Net book value					
At 30 June 2022	-	-	-	-	-
At 30 June 2021	870	2,874	299	1,405	5,448

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

17. Fixed asset investments

	Investments in subsidiary companies £000
At 1 July 2021	231
Disposals	(231)
At 30 June 2022	-
Net book value	
At 30 June 2022	-
At 30 June 2021	231

The subsidiaries, PCC Poland Sp zoo and Paragon Customer Communications Italy S.r.l., were disposed of during the year with a gain of £3,011,000 realised.

18. Stocks

	2022 £000	2021 £000
Raw materials and consumables	-	1,232
Work in progress (goods to be sold)	-	311
Finished goods and goods for resale	-	206
	-	1,749

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

19. Debtors

	2022	2021
	£000	£000
Due after more than one year		
Amounts owed by group undertakings	-	13,806
Deferred tax asset	-	6,725
	<u>-</u>	<u>20,531</u>
	<u>-</u>	<u>20,531</u>
 Due within one year		
Trade debtors	-	1,082
Amounts owed by group undertakings	76	13,238
Other debtors	-	1,790
Prepayments and accrued income	-	13,490
	<u>76</u>	<u>29,600</u>
	<u>76</u>	<u>29,600</u>

20. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	-	320
	<u>-</u>	<u>320</u>
	<u>-</u>	<u>320</u>

Cash and cash equivalents comprise cash held by the Company and short term bank deposits with an original maturity of three months or less.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

21. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	-	7,712
Amounts owed to group undertakings	76	16,656
Other taxation and social security	-	8,923
Obligations under finance lease and hire purchase contracts	-	436
Accruals and deferred income	-	16,231
	<u>76</u>	<u>49,958</u>

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

	2022	2021
	£000	£000
Net obligations under finance leases and hire purchase contracts	-	1,572
Amounts owed to group undertakings	-	2,080
Other creditors	-	154
	<u>-</u>	<u>3,806</u>

Loans from group companies bear interest at 2% above LIBOR for Sterling denominated loans, and 2% above EURIBOR for Euro denominated loans.

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022	2021
	£000	£000
Within one year	-	498
Between 1-5 years	-	1,683
	<u>-</u>	<u>2,181</u>
Less: Finance charges	-	173
	<u>-</u>	<u>2,008</u>

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

24. Deferred taxation

	2022 £000	<i>2021</i> <i>£000</i>
At beginning of year	6,725	5,487
Charged to profit or loss	(675)	1,238
Transfer	(6,050)	-
At end of year	-	6,725

The deferred tax asset is made up as follows:

	2022 £000	<i>2021</i> <i>£000</i>
Accelerated capital allowances	-	2,763
Tax losses carried forward	-	3,622
Short term timing differences	-	340
	-	6,725

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

25. Provisions

	Dilapidation s £000	Onerous lease £000	Redundancy £000	Annual compensati on payment s £000	Total £000
At 1 July 2021	1,456	1,774	375	168	3,773
Charged to profit or loss	38	1	-	-	39
Intra-group hive	(1,494)	(1,212)	(48)	(148)	(2,902)
Utilised in year	-	(563)	(327)	(20)	(910)
At 30 June 2022	-	-	-	-	-

The dilapidations provision represents amounts expected to be paid after the expiry dates of the Company's property leases, the last of which expires in 2026.

The onerous lease provision represents amounts provided for rent exposure on premises vacated as part of the rationalisation of business operations.

The redundancy provision relates to the rationalisation of trading activities.

The 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. The remaining provision is expected to be released over the shorter of their remaining lives or 24 years from the balance sheet date.

26. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
100 (2021 - 10,000,000) Ordinary shares of £1.00 each	-	10,000

During the year, the company reduced its issued share capital from £10,000,000 to £100 by cancelling and extinguishing 9,999,900 of the issued ordinary shares of £1 each in the company.

27. Pension commitments

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable to the schemes and amounted to £1,119,000 (2021 - £1,240,000).

At the end of the year, £Nil (2021 - £257,000) was owed to the defined contribution pension scheme providers.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

28. Commitments under operating leases

At 30 June 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	-	1,843
Later than 1 year and not later than 5 years	-	3,178
Later than 5 years	-	29
	<u>-</u>	<u>5,050</u>

The break clause in the lease contract agreements have been factored into the computation of lease commitments for the current period.

The company had no other off balance sheet arrangements.

29. Assets/liabilities hived out

The details of the trade assets and liabilities transferred to Paragon Customer Communications (London) Limited are stated below:

	£'000
Fixed Assets	
Tangible	3,815
Intangible	4,647
Deferred tax asset	<u>6,050</u>
	14,512
Current Assets	
Stocks	987
Debtors	<u>23,593</u>
Total Assets	39,092
Creditors	
Due within one year	(40,799)
Provisions for liabilities	<u>(2,902)</u>
Net liabilities hived	(4,609)
Sales proceeds	<u>(16,730)</u>
Gain on hive	<u><u>(21,339)</u></u>

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

30. Related party transactions

The company has taken advantage of the exemption, under FRS 102, Section 33.1(a), from disclosing related party transactions as they are all with other companies that are wholly owned by Paragon Customer Communications Limited.

31. Controlling party

The immediate parent undertaking is Paragon Customer Communications Limited, a company incorporated in England and Wales.

Paragon Customer Communications Limited is the 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 Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in England. PCC Global PLC, a wholly owned subsidiary of Paragon Group Limited, is the immediate parent undertaking of Paragon Customer Communications Limited.