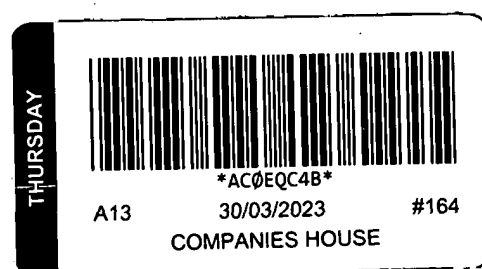


PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022



PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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.

Business review

The results for the company for the year show a profit before taxation of £17.5 million (2021 - £14.4 million profit) and turnover of £337.7 million (2021 - £214.1 million). Despite the prevailing economic conditions, the company's turnover and profit before taxation increased by 57.7% and 21.5% respectively. These increases are partly attributable to the hive of the operations of Paragon Customer Communications (Nottingham) Limited and Paragon Customer Communications International Limited into the company on 1st April 2022.

The directors have not proposed or paid a dividend during the year (2021 - £Nil). The net assets position as at the end of the year is £50.9m (30 June 2020 - £54.8m).

Also, the company acquired a number of trading businesses to add further clients, products and manufacturing capacities to its business.

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

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.

Future developments will include developing 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 communications 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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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.

- **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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

Coronavirus risk

The company continues to be vigilant to the risks related to Coronavirus and monitor relevant UK Government advice on minimising risks. The directors do not consider, at the date of signing of the financial statements, there to be a threat to the overall business in the case of outbreak-related closures and lockdowns due to the above and the company (via the support of the overall Paragon Group) having access to sufficient working capital. The directors believe that appropriate strategies have been, and are being further developed, to ensure the company can reduce and manage the possible impacts of adverse developments which could affect its ability to continue trading.

Brexit risk

The UK's decision to leave the EU has had minimal impact on the company and across the group as a whole. Political and economic uncertainty have progressively faded and there has been no significant decline in the value of Sterling. Given the scale of Brexit, the Board continues to monitor whether any further volatility is likely to arise in the short to medium term. In order to mitigate any short term risk to supply chain, the group always ensures that it has adequate stocks of raw materials that are sourced from European suppliers.

Inflationary risk

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

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.

Jeremy Walters

J E C Walters
Director

Date: 30/3/2023

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

Results and dividends

The profit for the year, after taxation, amounted to £18.5m (2021 - £15.1m).

The directors have not proposed or paid dividends during the year (2021 - £Nil).

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 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 the Group will continue to operate viably over that period.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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

The company's operations expose it to a variety of financial risks that include the effects of 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. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

Interest rate risks

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

Investment in new equipment

To ensure that the company continues to deliver the quality and speed of service that our customers require, the company will continue to keep abreast and to invest in new technology to meet their requirements.

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.

Post balance sheet event

On 1st July 2022, certain trade and assets of DG3 Holdings (UK) Limited and WL CCM Limited were hived into the company for purchase considerations of £6,221,000 and £9,036,000 respectively.

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.

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.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 audited 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 audited financial statements, the directors are required to:

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 audited 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 audited 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.

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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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 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.

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 (LONDON) LIMITED

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 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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.

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 sections of this report.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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.

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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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:
 - 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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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.

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 (LONDON) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2022 £000	2021 £000
Turnover	4	337,664	214,100
Cost of sales		(208,679)	(146,087)
Gross profit		128,985	68,013
Distribution costs		(299)	(204)
Administrative expenses		(110,809)	(54,996)
Other operating income	5	166	1,406
Operating profit	6	18,043	14,219
Income from fixed assets investments		600	200
Interest receivable and similar income	10	292	-
Interest payable and expenses	11	(1,482)	(31)
Profit before tax		17,453	14,388
Tax on profit	12	1,035	666
Profit for the financial year		18,488	15,054

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021:£000NIL).

The notes on pages 18 to 46 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED
REGISTERED NUMBER: 02788181

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	30,615	33,314
Tangible assets	14	15,524	11,105
Investments	15	14,325	1,756
		<u>60,464</u>	<u>46,175</u>
Current assets			
Stocks	16	7,523	2,456
Debtors: amounts falling due after more than one year	17	-	2,564
Debtors: amounts falling due within one year	17	95,350	116,222
Cash at bank and in hand	18	1	38
		<u>102,874</u>	<u>121,280</u>
Creditors: amounts falling due within one year	19	(102,892)	(73,819)
Net current (liabilities)/assets		<u>(18)</u>	<u>47,461</u>
Total assets less current liabilities		<u>60,446</u>	<u>93,636</u>
Creditors: amounts falling due after more than one year	20	(6,367)	(38,107)
Provisions for liabilities			
Other provisions	23	(3,207)	(756)
		<u>(3,207)</u>	<u>(756)</u>
Net assets		<u>50,872</u>	<u>54,773</u>
Capital and reserves			
Called up share capital	24	30	30
Share premium account		839	839
Capital contribution reserves		152	152
Merger reserve		(22,389)	-
Profit and loss account		72,240	53,752
		<u>50,872</u>	<u>54,773</u>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED
REGISTERED NUMBER: 02788181

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2022

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 18 to 46 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

	Called up share capital	Share premium	Capital contribution reserve	Merger reserve	Profit and loss account	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	-	-	-	-	18,488	18,488
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	18,488	18,488
Creation of merger reserve	-	-	-	(22,389)	-	(22,389)
At 30 June 2022	30	839	152	(22,389)	72,240	50,872

The notes on pages 18 to 46 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital	Share premium	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2020	30	839	152	38,698	39,719
Comprehensive income for the year					
Profit for the year	-	-	-	15,054	15,054
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	15,054	15,054
Total transactions with owners	-	-	-	-	-
At 30 June 2021	30	839	152	53,752	54,773

The notes on pages 18 to 46 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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 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:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by 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.

2.3 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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

2. Accounting policies (continued)

2.4 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 (LONDON) LIMITED

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

2. Accounting policies (continued)

2.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and discounts.

Print mail

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

Services

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

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

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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

2. Accounting policies (continued)**2.7 Intangible assets****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. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 10 years.

The useful economic life was reassessed in the current period as a result of macro economic uncertainties arising and was reduced from 20 years to 10 years. This change in estimate did not have a material impact on the income statement for the year ended 30 June 2022.

Customer relationships

Customer relationships identified as separable intangible assets in the context of trade and assets deals are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally 2 - 10 years.

Computer software

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.

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

The Company incurs development costs on the implementation of new contracts. These are capitalised as an intangible asset in the balance sheet and amortised on a straight line basis over the life of the contract to which they relate. When all costs for a contract are fully amortised they are removed from intangible assets as a disposal.

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.

Impairment

The company performs impairment reviews in respect of intangible assets where events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised when the receivable amount of an asset, which is the higher of the net realisable value and its value in use, is less than its carrying amount.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

2. Accounting policies (continued)

2.8 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.

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

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.

Impairment

The company performs impairment reviews in respect of tangible fixed assets where events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised when the receivable amount of an asset, which is the higher of the net realisable value and its value in use, is less than its carrying amount.

2.9 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.

2.10 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.

2.11 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 factorers, the remaining amount is held within the receivable balance and is due from the debt factors..

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

2. Accounting policies (continued)

2.12 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.

2.13 Capital risk management

Capital risk is monitored by the Paragon Customer Communications Limited group management. The group's objectives when managing capital are to safeguard its ability to continue as a going concern and maintain an optimal capital structure to minimise the cost of capital. This is undertaken through changes made to the underlying debt structures within the group and, where appropriate, issuing shares.

2.14 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.

2.15 Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 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.

2.17 Interest income

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

2.18 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.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022****2. Accounting policies (continued)****2.19 Investments**

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

2.20 Stocks and work in progress

Stock comprising raw materials, consumables and work in progress are valued at the lower of cost and net realisable value, after the allowance for obsolete and slow moving items. Provision is made where necessary for obsolete and slow moving and defective stocks. Work in progress is valued on the basis of direct costs based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

2.21 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company to the fund in respect of the year.

2.22 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'.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

2. Accounting policies (continued)

2.23 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting 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.

2.24 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 reporting 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 reporting 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 reporting date.

2.25 Reserves

The company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital contribution reserve represents funds injected from the parent company through balances due relating to share-based payments which have been waived.
- Merger reserves represents the difference between the fair value paid and the net book value of the net assets acquired on hive across of the trade and assets of other group entities where merger accounting has been deemed to be applicable and applied.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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

In preparing these financial statements the directors have made the following judgements:

- Determine whether trade and assets deals involving businesses within the larger Paragon Group should be treated as merger or acquisition accounting. Factors taken into consideration is the level of autonomy and decision making right of the target business.

Other key sources of estimation uncertainty

- Intangible assets (see note 12)

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

- Tangible assets (see note 13)

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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

4. Turnover

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

	2022 £000	<i>2021</i> <i>Restated</i> <i>£000</i>
Printmail	239,990	139,656
Services	97,674	74,444
	<u>337,664</u>	<u>214,100</u>

Analysis of turnover by country of destination:

	2022 £000	<i>2021</i> <i>£000</i>
United Kingdom	320,522	199,470
Rest of Europe	13,972	12,306
Rest of the world	3,170	2,324
	<u>337,664</u>	<u>214,100</u>

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

5. Other operating income

	2022 £000	<i>2021</i> <i>£000</i>
Other operating income	166	1,406
	<u>166</u>	<u>1,406</u>

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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

6. Operating profit

The operating profit is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible assets:		
- owned assets	3,656	1,490
- owned assets under finance lease	1,262	473
Amortisation of intangible assets	8,804	4,520
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	200	80
Exchange differences	36	144
Loss/(Profit) on disposal of fixed assets	1,169	(49)
Other operating lease rentals		
- plant and machinery	1,713	1,404
- other operating leases	4,254	2,227
	<u>66,379</u>	<u>46,219</u>

7. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	58,787	41,005
Social security costs	5,971	4,131
Cost of defined contribution scheme	1,621	1,083
	<u>66,379</u>	<u>46,219</u>

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

	2022	2021
	No.	No.
Operations	1,387	903
Administration	426	289
	<u>1,813</u>	<u>1,192</u>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

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 investments

	2022 £000	2021 £000
Dividends received from joint ventures and associates	600	200

10. Interest receivable

	2022 £000	2021 £000
Net exchange gain on foreign currency borrowings	292	-
	292	-

11. Interest payable and similar expenses

	2022 £000	2021 £000
Discount charges	12	-
Loans from group undertakings	1,312	-
Finance leases and hire purchase contracts	158	31
	1,482	31

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

12. Tax on profit

	2022	<i>2021</i>
	£000	<i>£000</i>
Corporation tax		
Adjustments in respect of previous periods	-	32
	<u>-</u>	<u>32</u>
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>32</u>
Deferred tax		
Origination and reversal of timing differences	(1,035)	<i>(531)</i>
Adjustment in respect of prior periods	-	60
Effect of tax rate change	-	<i>(227)</i>
	<u>(1,035)</u>	<u>(698)</u>
Total deferred tax	<u>(1,035)</u>	<u>(698)</u>
	<u>(1,035)</u>	<u>(666)</u>
Taxation on loss on ordinary activities	<u>(1,035)</u>	<u>(666)</u>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

12. Tax on profit (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 on ordinary activities before tax	17,453	14,388
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	3,316	2,734
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	143	4
Non-taxable dividend income	(114)	(38)
Adjustments to tax charge in respect of prior periods	-	92
Remeasurement of deferred tax	(1,040)	182
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	62
Other tax adjustments, reliefs and transfers	662	229
Group relief	(4,002)	(3,931)
Total tax charge for the year	(1,035)	(666)

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 (LONDON) LIMITED

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

13. Intangible assets

	Patents £000	Development expenditure £000	Customer relationships £000	Computer software £000	Goodwill £000	Total £000
Cost						
At 1 July 2021	-	-	18,469	2,675	21,459	42,603
Additions	60	615	-	782	-	1,457
Arising on business combinations	-	33	-	203	4,411	4,647
Disposals	-	(33)	-	(1,029)	-	(1,062)
At 30 June 2022	60	615	18,469	2,631	25,870	47,645
Amortisation						
At 1 July 2021	-	-	7,508	1,164	617	9,289
Charge for the year	-	43	5,802	350	2,608	8,803
On disposals	-	(33)	-	(1,029)	-	(1,062)
At 30 June 2022	-	10	13,310	485	3,225	17,030
Net book value						
At 30 June 2022	60	605	5,159	2,146	22,645	30,615
At 30 June 2021	-	-	10,961	1,511	20,842	33,314

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

14. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation						
At 1 July 2021	7,817	21,149	71	3,210	4,262	36,509
Additions	765	3,845	44	158	20	4,832
Arising on business combinations	748	3,383	-	109	275	4,515
Disposals	(1,343)	(2,198)	(55)	(1,158)	(2,335)	(7,089)
At 30 June 2022	7,987	26,179	60	2,319	2,222	38,767
Depreciation						
At 1 July 2021	6,514	12,104	71	2,542	4,172	25,403
Charge for the year	474	4,033	6	243	162	4,918
Disposals	(1,342)	(2,188)	(55)	(1,158)	(2,335)	(7,078)
At 30 June 2022	5,646	13,949	22	1,627	1,999	23,243
Net book value						
At 30 June 2022	2,341	12,230	38	692	223	15,524
At 30 June 2021	1,302	9,045	-	668	90	11,105

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

14. Tangible fixed assets (continued)

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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2021	1,756
Additions	13,775
At 30 June 2022	<u>15,531</u>
Impairment	
Charge for the period	1,206
At 30 June 2022	<u>1,206</u>
Net book value	
At 30 June 2022	<u><u>14,325</u></u>
At 30 June 2021	<u><u>1,756</u></u>

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
D MSP Celerity Services SL Spain	Spain	Ordinary	100%	Software development
Celerity IS Inc. US	USA	Ordinary	100%	Software development and licence distribution
DG3 Holdings Limited	England & Wales	Ordinary	100%	Communication and interactive digital services
With Reasons Ltd	England & Wales	Ordinary	100%	Information technology consultancy services
WL CCM Limited	England & Wales	Ordinary	100%	Information services

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

15. Fixed asset investments (continued)

The Lettershop Limited	England & Wales Ordinary	100%	Production of direct mail and marketing services
Indirectly held:			
DG3 Europe Limited	England & Wales Ordinary	100%	Non-trading
DG3 Digital Limited	England & Wales Ordinary	100%	Non-trading
DG3 Squared Limited	England & Wales Ordinary	100%	Non-trading
DG3 Connections Limited	England & Wales Ordinary	100%	Holding company

The breakdown of the total purchase considerations in the year are as follows: DG3 Holding (UK) Limited - £6,455,000; With Reasons Limited - £2,289,000; WL CCM Limited - £4,292,000 and Lettershop Limited - £739,000.

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

Participating interests

Total investments in associates and joint venture amounted to less than £1,000 and the country of incorporation is England and Wales.

Associate

The following was an associate of the Company:

Name	Registered office	Class of shares	Holding
Response Handling Centre Limited	5 White Oak Square, Swanley, Kent BR8 7AG	Ordinary shares	34%

Joint Venture

The following was a joint venture of the Company with its registered address at Evolution House, Choats Road, Dagenham, Essex, RM9 6BF:

Name	Country of incorporation	Class of shares	Holding	Principal activity
dsi Billing Services Limited	England and Wales	Ordinary	50%	Billing and service providers

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

16. Stocks

	2022	<i>2021</i>
	£000	<i>£000</i>
Raw materials and consumables	6,059	<i>2,102</i>
Work in progress (goods to be sold)	1,464	<i>354</i>
	<u>7,523</u>	<u><i>2,456</i></u>

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

17. Debtors

	2022	<i>2021</i>
	£000	<i>£000</i>
Due after more than one year		
Amounts owed by group undertakings	-	<i>2,564</i>
	<u>-</u>	<u><i>2,564</i></u>

	2022	<i>2021</i>
	£000	<i>Restated £000</i>
Due within one year		
Trade debtors	4,558	<i>430</i>
Amounts owed by group undertakings	54,894	<i>96,009</i>
Amounts owed by joint ventures and associated undertakings	613	<i>496</i>
Other debtors	3,155	<i>1,952</i>
Prepayments and accrued income	22,412	<i>14,476</i>
Deferred taxation	9,718	<i>2,859</i>
	<u>95,350</u>	<u><i>116,222</i></u>

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

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

18. Cash and cash equivalents

	2022	<i>2021</i>
	£000	£000
Cash at bank and in hand	1	38
	<u>1</u>	<u>38</u>

19. Creditors: Amounts falling due within one year

	2022	<i>2021</i>
	£000	£000
Trade creditors	29,349	19,898
Amounts owed to group undertakings	31,038	26,266
Corporation tax	-	420
Other taxation and social security	7,214	8,502
Obligations under finance lease and hire purchase contracts	1,752	1,445
Other creditors	3,021	2,099
Accruals and deferred income	30,518	15,189
	<u>102,892</u>	<u>73,819</u>

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

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

	2022	<i>2021</i>
	£000	<i>Restated</i>
		£000
Net obligations under finance leases and hire purchase contracts	3,926	3,639
Amounts owed to group undertakings	1,769	33,903
Government grants received	67	122
Accruals and deferred income	605	443
	<u>6,367</u>	<u>38,107</u>

Amounts owed to group undertakings are unsecured and bears interest at 2.33%. The interest expense incurred by the company relates to a long term loan owed to its parent undertaking but which was settled at year end through the intercompany trade debtor owed by the parent undertaking.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

21. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Not later than 1 year	2,099	<i>1,614</i>
Between 1-5 years	3,906	<i>3,793</i>
	<hr/> 6,005	<hr/> <i>5,407</i>
Finance charges	(327)	<i>(323)</i>
Carrying amount of liability	<hr/> 5,678 <hr/>	<hr/> <i>5,084</i> <hr/>

22. Deferred taxation

	2022	<i>2021</i>
	£000	<i>£000</i>
At beginning of year	2,859	<i>945</i>
Arising on business combinations	5,824	<i>1,216</i>
Credit to the income statement	1,035	<i>698</i>
At end of year	<hr/> 9,718 <hr/>	<hr/> <i>2,859</i> <hr/>

The deferred tax asset is made up as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Accelerated capital allowances	5,753	<i>2,755</i>
Tax losses carried forward	3,537	<i>-</i>
Short term timing difference	428	<i>104</i>
	<hr/> 9,718 <hr/>	<hr/> <i>2,859</i> <hr/>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

23. Provisions

	Onerous £000	Redundancy and Acquisition £000	Dilapidations £000	Annual Compensation Payments £000	Total £000
At 1 July 2021	-	1	755	-	756
Charged to profit or loss	149	-	75	-	224
Arising on business combinations	652	25	1,504	148	2,329
Utilised in year	(100)	(1)	(1)	-	(102)
At 30 June 2022	701	25	2,333	148	3,207

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

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

The redundancy provision relates to the rationalisation of trading activities.

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

24. Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
29,906 (2021 - 29,906) Ordinary shares of £1.00 each	30	30

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

25. Business combinations

Trade, assets and liabilities of Paragon Customer Communications (Nottingham) Limited and Paragon Customer Communications International Limited were hived into the company on 1st April 2022.

The qualifying conditions for merger accounting were met and merger accounting was deemed to most appropriately reflect the substance of the transactions and has therefore been applied.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Paragon Customer Communications (Nottingham) Limited	Paragon Customer Communications International Limited	Total
	£000	£000	£000
Fixed Assets			
Tangible	1,535	2,980	4,515
Intangible	-	4,647	4,647
Deferred tax asset	385	5,439	5,824
	<u>1,920</u>	<u>13,066</u>	<u>14,986</u>
Current Assets			
Stocks	1,106	987	2,093
Debtors	1,680	23,593	25,273
	<u>4,706</u>	<u>37,646</u>	<u>42,352</u>
Total Assets	4,706	37,646	42,352
Creditors			
Due within one year	(5,241)	(40,041)	(45,282)
Provisions for liabilities	(116)	(2,213)	(2,329)
	<u>(651)</u>	<u>(4,608)</u>	<u>(5,259)</u>
Total identifiable net liabilities	(651)	(4,608)	(5,259)
Merger reserve arising on business combination			22,389
Total purchase consideration			<u>17,130</u>
Consideration			
			£000
Consideration for PCC Nottingham			400
Consideration for PCCIL			16,730
Total purchase consideration			<u>17,130</u>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

25. Business combinations (continued)

Total outflow on acquisition

£000

Purchase consideration settled as above

17,130

The results of the two entitites, Paragon Customer Communications (Nottingham) Limited and Paragon Customer Communications International Limited, since acquisition are as follows:

Current
period since
acquisition
£000

Turnover

36,869

Profit for the period since acquisition

901

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

26. Prior year adjustment

Trade debtors and amounts due to group undertakings have been restated as a result of the reclassification of the balances relating to the factoring arrangements. Given that the factoring arrangements are without recourse, trade debtor balances for which funds have been received from the factoring company by Paragon Customer Communications Limited on behalf of the company have been derecognised with a corresponding adjustment made to the intercompany payable balance with Paragon Customer Communications Limited. The prior period adjustment has had no impact on the net assets, equity or profit and loss accounts.

	2021 as previously stated £'000	Restatement £'000	2021 restated accounts £.000
Debtors: Due within one year			
Trade debtors	46,294	(45,864)	430
Amounts owed by group undertakings	96,009	-	96,009
Amounts owed by joint ventures and associated undertakings	496	-	496
Other debtors	1,952	-	1,952
Prepayments and accrued income	14,476	-	14,476
Deferred taxation	2,859	-	2,859
Total	<u>162,086</u>	<u>(45,864)</u>	<u>116,222</u>
Creditors: Amounts falling due after more than one year			
Net obligations under finance leases and hire purchase contracts	(3,639)	-	(3,639)
Amounts owed to group undertakings	(79,767)	45,864	(33,903)
Government grants received	(122)	-	(122)
Accruals and deferred income	(443)	-	(443)
Total	<u>(83,971)</u>	<u>45,864</u>	<u>(38,107)</u>

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

27. 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 £1,621,000 (2021 £1,083,000).

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	2021
	£000	£000
Not later than 1 year	11,977	4,592
Later than 1 year and not later than 5 years	27,245	10,213
Later than 5 years	2,979	660
	<u>42,201</u>	<u>15,465</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 arrangement.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

29. 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 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 and associates

	2022	2021
	£000	£000
dsi Billing Services Limited		
Sales	4,101	4,245
Purchases	(1)	(2)
Management fees	61	61
Dividend received	600	200
	<u>600</u>	<u>200</u>

	2022	2021
	£000	£000
The following balances were owed by/(owed to) the company at the year end:		
dsi Billing Services Limited	613	496
	<u>613</u>	<u>496</u>

30. Ultimate parent undertaking and controlling party

The immediate parent undertaking is dsicmm Group 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 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. Paragon Group Limited is the largest group undertaking for which group accounts are drawn up and can be obtained from Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

PARAGON CUSTOMER COMMUNICATIONS (LONDON) LIMITED

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

31. Post balance sheet events

On 1st July 2022, certain trade and assets of DG3 Holdings (UK) Limited and WL CCM Limited were hived into the company for purchase considerations of £6,221,000 and £9,036,000 respectively.