

Registered No: 05607779

# **OT Group Limited**

## **Annual Report and Financial Statements**

Year Ended 30 June 2021

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COMPANIES HOUSE

## OT Group Limited

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### **Directors**

P J Crean

L T Salmon

S J Horne - resigned 24<sup>th</sup> March 2021

A Jones - appointed 24<sup>th</sup> March 2021

### **Secretary**

R J Cahill

### **Auditor**

Grant Thornton UK LLP

Chartered Accountants & Senior Statutory Auditor

30 Finsbury Square, London

EC2A 1AG, United Kingdom

### **Bankers**

Lloyds Bank Plc

25 Gresham Street

London

EC2V 7HV

### **Registered Office**

Unit 1 Alexandria Court

Alexandria Drive

Ashton-Under-Lyne

England,

OL7 0QN

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## Strategic report

The directors present their strategic report for the year ended 30 June 2021.

### Principal activity

The principal activity of the company is that of a national distributor of stationery and office supplies, together with the provision of a range of business services. In 2020 the continuing operations traded for the six week period from 15th May 2020 to 30th June 2020, when the acquisition of Office Team completed.

### Business review

The results for the company for the year ended 30 June 2021 show an operating loss of £5,071,000 (2020: profit of £10,201,000) and revenue of £72,889,000 (2020: £12,234,000). Loss after tax was £4,917,000 (2020: profit - £10,256,000). The operating loss, stems from the challenges posed during the year, in particular, COVID-19 enforced closure of offices, retail & leisure businesses and the continued working from home environment restricting revenues, along with significant restructuring costs as we realigned the business.

On 18<sup>th</sup> June 2021, the Company acquired part of the trade and certain assets of Office Depot. Office Depot was acquired to synergise and expand further into the Office Supplies sector. The business is a leading supplier of workspace products and services to a blue-chip corporate and public sector customer base within the UK and Ireland. Office Depot offers long standing customers, a diverse revenue base, cross-sell opportunities, synergy potential and an experienced team.

The results for the year included a gain on bargain purchase of £6,361,000 (2020: £10,844,000) as a result of this acquisition. The gain on acquisition arose as discounted assets were bought due to the parent exiting the sector. See Note 9 for more information.

No dividend was paid during the year (2020: £333,000).

### Key performance indicators

OT Group Limited is managed by the directors in accordance with the strategies of its parent company, Paragon Group Limited (the "Group"). 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.

### Realigning the Business

The last 2 years have been one of the company's most significant periods as we had to adapt to meet unexpected challenges. The company has successfully repositioned, with an adjusted proposition that better serves customers who themselves continue to adapt to long-term changes in working practices. Through a strong focus on cash management and investment in the cost base, the company's realignment has driven stability. Our core value proposition mirrors the revision of internal working practices, which now present enhanced agility. We also introduced additional strategic products and services to ensure customers have everything they need to operate effectively.

### A Focus on Growth

The company's focus is on growth, both organically and through acquisitions. The successful and significant acquisition of Office Depot's contract business in the UK and Ireland supports our vision of being a €350 million company by 2025. The acquisition of Office Depot adds wealth of experience and knowledge to the company's extended range of workplace solutions and business services. In addition, leveraging the strength of the Paragon Group along with key strategic partnerships, we now have a clear differentiated position in what remains a crowded market.

### Enhancing the Customer Experience

The company's ongoing investment in technology highlights the core developments made to continually strengthen the experience and satisfaction levels of even the largest and most complex of customers. We have invested significantly in SmartPad, our intuitive e-commerce engine, and the functionality of the most recently launched version has been engineered to ensure the procurement technology works even harder for customers' businesses. All enhancements reflect marketplace insights and customer feedback captured by the digital team. From seemingly minor developments such as user-defined self-service logins for homeworkers, through to major new business intelligence capabilities, everything centres on delivering technology that demonstrably supercharges supply chain efficiencies and effectiveness. In addition we have secured partnerships with vendors to extend our range of products, selling third party goods via direct shipping from their sites.

## OT Group Limited

**Strategic report (continued)****Introducing OT Group's New High-Tech Distribution Centre**

The company's acquisition of the UK and Ireland business of Office Depot Europe meant the company also secured a large 30,000 sq. m, automated distribution centre in Ashton-under-Lyne. This flagship facility is critical to our core value proposition and delivering our customer communications. With the capacity to hold 18,000 pallets and more than 22,000 products, this space considerably extends our warehousing capabilities. The site's existing technologies include A-frame and 'pick by light' systems for greater efficiency, as well as automated cut-to-size packaging for smarter packing and waste reduction. As we work towards increasingly sustainable operations, the latter is an important carbon footprint reducer. The progressive weighing of product orders and the ability to identify and rectify discrepancies at source also means orders are fulfilled with a high level of accuracy. We are already planning to invest in additional warehouse management technologies, which will drive even greater operational efficiencies and improve the speed and quality of the company's national distribution service. Our partnership with Menzies, the UK's only national, time critical logistics specialist, completes our comprehensive distribution network and provides customers with a greater degree of flexibility and control. Choices now include desktop delivery, specific floor drop-offs, pallet services, and night drops, all with integrated track and trace features. In addition, we boast a robust carbon-friendly solution thanks to a large electric fleet.

**Outlook for 2021/22 and beyond**

The outlook for FY22 is set to be a positive move forward from FY21. The completion of Office Depot UK acquisition and the migration of its customers, plus the post COVID19, gradual return to the office generating sales in the traditional Office Team and Wholesale business has seen growth in revenues, which are expected to be above £110m for FY22, and £130m for FY23.

Our plans allow for this growth in a recovering market with lower levels of unemployment and return to workplaces for our customers. We have an experienced supply chain management team and along with our enhanced buying power and the wider Paragon Group we are confident that we can maintain competitive supply, despite the challenges in Eastern Europe, market pressure on costs and energy.

We remain focused in generating sales build via continued growth from existing customers in new products and services, onboarding new customers and further acquisitions. All gaining greater utilisation of our people, support services and distribution centre, all generating improved EBITDA results for 2022/23 and beyond.

**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.

**Section 172 statement**

The Companies Act 2006 (CA2006) sets out a number of general duties which directors owe to the company. New 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 2021 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 OT Group Limited and is consistent with the size and complexity of the company. 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.

## Strategic report (continued)

### Principal risks and uncertainties

#### Risk management policy

The directors along with senior managers formally evaluate and review the principal risks and uncertainties facing the company on a quarterly basis. The principal risks and uncertainties facing the company are detailed below.

#### Competitive risks

The company has a wide range of customers, operating across many different market sectors. The company is therefore not reliant on any individual customer or market sector.

#### Coronavirus risk

The company was impacted by the global outbreak of Coronavirus (COVID-19) the directors of the company continually assessed the situation across key markets and the potential risk to the operation of the business daily. The directors took all the necessary measures as advised by the NHS, WHO, the UK government and equivalent local authorities across our offices, including promoting hygiene standards and providing facilities to enable this, and when advised by the government, insisting on all employees to work from home where possible. The company and the overall Paragon Group have vital activities within the communication and financial sectors and was consequently given the "key worker status" during the outbreak. The directors do not consider, at the date of signing 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 support of the overall Paragon group) having access to sufficient working capital. The directors believe that appropriate strategies have been, and are being developed, to ensure the company can reduce and manage the possible impacts of adverse developments which could affect the company's ability to continue trading.

#### Financial risks

The company's principal financial investments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the company's operating activities.

The main risks associated with the company's financial assets are set out below.

#### Interest rate risk

The company does not have any external loans. The company does not undertake any hedging activity.

#### Price risk

There is no significant exposure to changes in the carrying value of assets and liabilities due to agreed pricing. Most price increases would be considered transferable as indicated within the trade terms agreements.

#### Credit risk

Company policies are aimed at minimising losses from credit risk and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. The company uses credit insurance to mitigate credit risk where possible. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk.

#### Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company has limited liquidity risk as it is part of a Group that holds €141,000,000 of listed debt, with repayment due between 2023 and 2025. Subsequent to year end, on 30 July 2021, PCC Global plc, a wholly-owned subsidiary of Paragon Group, raised €139 million of loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 29 July 2028.

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The company manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the company's planning process.

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## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Foreign currency risk

The company has exposure to currency movements relating to trade debtors and trade creditors. However, a significant proportion of transactions entered into by the company are denominated in sterling.

On behalf of the board

**Laurent SALMON**

L T Salmon  
Director  
29 June 2022

## OT Group Limited

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## Directors' Report

The directors present their report and financial statements for the year ended 30 June 2021.

### Results and dividends

The loss after tax amounted to (£4,917,000) (2020: profit - £10,256,000). No dividend was paid during the year (2020: £333,000).

### Directors

The directors who served the company during the year and to the date of approval of the financial statements were as follows:

P J Crean

L T Salmon

S J Horne – resigned 24<sup>th</sup> March 2021

A Jones – appointed 24<sup>th</sup> March 2021

### Employment policies

The policies in operation throughout the company have been developed to comply in terms of non-discrimination on the grounds of sex, race, creed, colour, age or disability and compare favourably in every other respect with recognised good employment practices.

The company recognises the importance of good communications and relations with employees and endeavours to keep employees informed of all relevant matters and topics of interest

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where disabled persons can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the company policy wherever practicable to provide continuing employment under normal terms and conditions and provide training, career development and promotion wherever appropriate.

### Policy regarding payment to suppliers

The company's policy regarding the payment of suppliers is either to agree terms of payment at the start of business with each supplier or ensure that the supplier is made aware of the payment terms and, in either case, to pay in accordance with its contractual or other legal obligations.

### Customers

The directors engage with customers, primarily through the Chief Executive and the Sales Director, who provide information about key customers in their regular reports to the Board. Understanding the importance to customers of maintaining a broad portfolio with consumer offerings at a variety of price point and categories The Board regularly reviews both innovation and inorganic opportunities to enhance its portfolio.

### 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 the period under review being July 2021 through to June 2023, 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 and extensive actions already undertaken to protect profitability and conserve cash.

Four scenarios were considered by the Paragon Group in preparing their going concern assessment, being a management case and three other scenarios using a set of severe but plausible downside assumptions to that management case. All scenarios showed that the Group will continue to operate viably over the period under review. Overall the Group traded in line with the management case for the first six months of the 2022 financial year and has remained profitable and cash generative which further underlines the resilience and adaptability of the business during this difficult time.

**OT Group Limited**

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**Directors' report (continued)****Going concern (continued)**

Based on the above, the Directors have, at the date of signing of the accounts, a reasonable expectation that, with the support provided from Paragon Group, the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

**Brexit & Eastern Europe supply**

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 has progressively faded and there has been no significant decline in the value of Sterling. Given the scale of Brexit, the Board continue to monitor whether any further volatility is likely to arise in the short to medium term. We have an experienced supply chain management team and along with our enhanced buying power through acquisitions and the wider Paragon Group we are confident that we can maintain competitive supply, despite the challenges in Eastern Europe, market pressure on costs and energy.

**Financial instrument risk**

The company has established a risk and financial management framework whose primary objective is to protect the company from events that hinder the achievement of the company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business level.

**Directors' liabilities**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

**Events since the Statement of Financial Position date**

On 18<sup>th</sup> June 2021, the Company acquired part of the trade and certain assets of Office Depot, for a consideration of £1,282,000. The acquisition was completed on 27<sup>th</sup> September 2021 with further assets acquired, including the purchase of the open debtor book & contributions to future rent, rates & other establishment costs, the final consideration amounted to £7,623,000.

The acquisition includes Office Depot Europe's larger mid-market, major and public sector contract customers in the UK and Ireland. The deal includes the state-of-the art warehousing facilities of the Office Depot Europe's distribution centre in Ashton-Under-Lyne, Manchester and the headquarters of Vital Communications, Office Depot's print, and marketing and communications business in Dartford, Kent. The transaction provides the company with the opportunity to significantly increase its size and scale in workplace solutions and business services, to increase efficiency through the new highly automated warehouse and distribution centre and to extract overhead savings through the consolidation process.

This acquisition enabled the company to close the existing warehouse in Birmingham in December 2021.

**Political and charitable contributions**

During the year, the Company did not make any political or charitable contributions (2020: £nil).

**Statement of directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently;



## OT Group Limited

**Directors' report (continued)**

- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to the auditor**

So far as each director, who was a director at the date of approving this report is aware, there is no relevant audit information; being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the fellow directors and the company's auditor, each director has taken all the steps he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Re-appointment of auditor**

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

On behalf of the Board

**Laurent SALMON**

L T Salmon  
Director  
29 June 2022

## Independent auditor's report to the members of OT Group Limited

### Opinion

We have audited the financial statements of OT Group Limited (the 'company') for the year ended 30 June 2021, which comprise the Income statement, the Statement of other comprehensive income, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 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 'Auditor's 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

## **Independent auditor's report to the members of OT Group Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the 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.

## Independent auditor's report to the members of OT Group Limited (continued)

### Auditor's responsibilities for the audit of the financial statements

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, FRS 101 and the Companies Act 2006.
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and walkthroughs performed with management.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. Audit procedures performed by the engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how the Board considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with large value or those posted at the year end; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- The engagement leader assessed whether the engagement team collectively had the appropriate compliance and capabilities, including consideration of the engagement team's understanding of and practical experience with audit engagements of a similar nature and complexity, knowledge of the industry in which the client operates, and understanding of the legal and regulatory requirements specific to the entity.

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## Independent auditor's report to the members of OT Group Limited (continued)

- In assessing the potential risks of material misstatement, we obtained an understanding of the entity's operations, including the nature of its revenue sources, products and services and 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.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

### Use of our report

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

*Grant Thornton UK LLP*

Lindsay Bergh  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
29 June 2022

## OT Group Limited

**Income statement**

for the year ended 30 June 2021

		2021	2020	2020	2020
		£000	£000	£000	£000
		Continuing operations	Continuing operations (restated)*	Discontinued operations	Total (restated)*
	Notes				
<b>Revenue</b>	2	72,889	5,515	6,719	12,234
Cost of sales		(58,767)	(3,580)	(2,107)	(5,687)
<b>Gross Profit</b>		<b>14,122</b>	<b>1,935</b>	<b>4,612</b>	<b>6,547</b>
Distribution costs		(5,134)	(560)	(5)	(565)
Administrative costs		(23,055)	(3,364)	(4,007)	(7,371)
Other operating income	3	2,635	746	-	746
Gain on bargain purchase	9	6,361	10,844	-	10,844
<b>Operating (loss)/profit</b>	4	<b>(5,071)</b>	<b>9,601</b>	<b>600</b>	<b>10,201</b>
Finance costs	6	(242)	(5)	-	(5)
<b>(Loss)/profit before tax</b>		<b>(5,313)</b>	<b>9,596</b>	<b>600</b>	<b>10,196</b>
Income tax credit	7	396	59	1	60
<b>(Loss)/profit for the year after tax</b>		<b>(4,917)</b>	<b>9,655</b>	<b>601</b>	<b>10,256</b>

\* The prior year "Administrative costs" have been restated to exclude furlough. These furlough figures have been now reported one line below, in "Other operating income". This restatement is only a line for line reclassification and has had no impact to the previously reported retained earnings of the company.

**Statement of other comprehensive income**

for the year ended 30 June 2021

There is no other comprehensive income other than the (loss)/profit attributable to the shareholders of the company for the year of (£4,917,000) (2020: profit £10,256,000).

Notes on pages 15 to 35 form part of these financial statements.

## OT Group Limited

**Statement of financial position**

at 30 June 2021

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Property, plant & equipment	11	5,786	527
Intangible assets	10	14,530	13,356
Right-of-use assets	12	797	-
Financial investments	13	100	100
		<u>21,213</u>	<u>13,983</u>
<b>Current assets</b>			
Inventories	14	8,230	8,684
Trade and other receivables	15	5,000	3,148
Cash and cash equivalents	16	7,536	962
		<u>20,766</u>	<u>12,794</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	17	17,907	7,043
Lease liabilities	12	169	-
Provisions	18	220	2,507
		<u>18,296</u>	<u>9,550</u>
		2,470	3,244
<b>Net current assets</b>			
		23,683	17,227
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>			
Amounts due to parent undertaking	17	4,689	4,340
Deferred tax provision	19	4,618	3,232
Lease liabilities	12	638	-
		<u>9,945</u>	<u>7,572</u>
<b>Net assets</b>			
		<u><b>13,738</b></u>	<u><b>9,655</b></u>
<b>Capital and reserves</b>			
Issued share capital	21	2,000	-
Share premium	22	7,000	-
Retained earnings		4,738	9,655
<b>Total equity</b>		<u><b>13,738</b></u>	<u><b>9,655</b></u>

These financial statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:

**Laurent SALMON**

L T Salmon  
Director  
29 June 2022

Notes on pages 15 to 35 form part of these financial statements.

## OT Group Limited

**Statement of changes in equity**

for the year ended 30 June 2021

	<i>Called up share capital £000</i>	<i>Share Premium £000</i>	<i>Capital contribution reserve £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
<b>At 1 July 2019</b>	-	-	<b>129</b>	<b>(397)</b>	<b>(268)</b>
Transfer to retained earnings	-	-	(129)	129	-
Dividend paid	-	-	-	(333)	(333)
Profit for the year	-	-	-	10,256	10,256
<b>At 1 July 2020</b>	-	-	-	<b>9,655</b>	<b>9,655</b>
Loss for the year	-	-	-	(4,917)	(4,917)
Issuance of shares	2,000	7,000	-	-	9,000
<b>At 30 June 2021</b>	<b>2,000</b>	<b>7,000</b>	-	<b>4,738</b>	<b>13,738</b>

Notes on pages 15 to 35 form part of these financial statements.



## OT Group Limited

**Notes to the financial statements**

For the year ended 30 June 2021

**1. Accounting policies*****Basis of preparation***

The company is a private company, limited by shares, and is incorporated and domiciled in the UK. The address of its registered office is Unit 1, Alexandria Court, Alexandria Drive, Ashton-Under-Lyne, OL7 0QN. The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006. The company's financial statements are presented in British sterling and all values are rounded to the nearest thousand British pounds sterling (£'000) except where otherwise indicated. The results of OT Group Limited are included in the consolidated financial statements of Paragon Group Limited, which are available from its registered office at Lower Ground Floor, Park House, 16 / 18 Finsbury Circus, London, England, EC2M 7EB. The principal accounting policies adopted by the company are set out below.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

***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 the period under review being July 2021 through to June 2023, 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 and extensive actions already undertaken to protect profitability and conserve cash.

Four scenarios were considered by the Paragon Group in preparing their going concern assessment, being a management case and three other scenarios using a set of severe but plausible downside assumptions to that management case. All scenarios showed that the Group will continue to operate viably over the period under review. Overall the Group traded in line with the management case for the first six months of the 2022 financial year and has remained profitable and cash generative which further underlines the resilience and adaptability of the business during this difficult time.

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021****Accounting policies (continued)*****Going Concern (continued)***

Based on the above, the Directors have, at the date of signing of the accounts, a reasonable expectation that, with the support provided from Paragon Group, the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

***Revenue recognition***

Revenue is recognised when control of the asset is transferred and this typically occurs on despatch with revenue recognised at that point in time. No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Customer advance payments are recognised as liabilities until the performance obligations have been completed and revenue recognised. Customers are not offered a contract with significant funding components. There are no warranties in place.

***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

***Forecasts and discount rates***

The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from operations which, in some circumstances, are discounted to arrive at a net present value. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).

Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

***Office Depot date of control***

On 18 June 2021, the company entered into a sale purchase agreement to acquire a certain trade along with certain assets and liabilities of the Office Depot Group. A completion date of 27 September 2021 was put in place to allow the required actions to be finalised. Under IFRS 3, 'Business Combinations', the date on which an acquirer obtains control is generally the completion date. However, the acquirer can obtain control at an earlier date if the written agreement provides the acquirer with control over the trade, assets and liabilities on a date before the closing date. IFRS 10, 'Consolidated Financial Statements', sets out the criteria required to conclude that control has passed before the completion date. Under the rights set out in the sale purchase agreement signed on 18 June 2021, Paragon were able to gain incremental benefit by distributing their own product through existing Office Depot selling channels which is a relevant activity that gives rise to a variable return namely, the incremental revenue and associated margin on these product sales to the acquired Office Depot business. Management have therefore judged that control passed on 18 June 2021, and in line with IFRS 3 Office Depot was consolidated as of that date rather than the completion date.

***Carrying value of property, plant and equipment***

The carrying value of the company's investment in property, plant and equipment represents a key area of management judgement. This includes assumptions in respect of the use of fair values as well as estimation in respect of useful lives.

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021***Accounting policies (continued)**Useful life of intangible assets*

In determining the useful life intangible assets for amortisation purposes, the Company considers the period of expected cash flows used to measure the fair value of the recognised intangible asset, adjusted for entity-specific factors. Those entity-specific factors include, but are not limited to, the entity's expected use of the asset and the entity's historical experience in renewing or extending similar arrangements

*Investments*

Investments are stated at cost less provision for diminution in value.

*Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed by the company, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets, and is subsequently adjusted by their share of changes in equity since the date of acquisition.

Transactions with group entities (such as company hive-ups) do not constitute a business combination under IFRS 3 'Business Combinations' as they are effectively a combination among entities under common control. There is currently no guidance in IFRS on the accounting treatment for combinations among entities or businesses under common control. IAS 8 requires management, if there is no specifically applicable standard or interpretation, to develop a policy that is relevant to the decision-making needs of users and that is reliable. Considering facts and circumstances management has decided to apply a method broadly described as predecessor accounting. The principles of predecessor accounting are that assets and liabilities of the acquired entity are stated at predecessor carrying values and fair value measurement is not required. No new goodwill arises in predecessor accounting. Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021***Accounting policies (continued)**Property, plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing when the assets are brought into operational use, of each asset evenly over its useful economic life as follows:

Leasehold improvements	–	term of lease
Plant, Machinery and computer equipment	–	2-10 years
Fixtures and fittings	–	2 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

*Intangible assets**Software*

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Statement of Financial Position at cost. This includes externally purchased products and internally developed software (see policy on research and development below). These assets are amortised on a straight line basis over their estimated useful lives, which is generally three to five years.

*Customer relationships*

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

*Brands*

Brands are recorded at fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is ten years.

*Leases*

IFRS 16 was adopted on 1 July 2019, without restatement of comparative figures. At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets or for a duration of twelve months or less. The company has elected to apply the recognition exemptions for short-term and low value leases and recognises the lease payments associated with these leases as an expense within the Income Statement on a straight-line basis over the term of the lease. The company recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the company. Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred; and the amount of any dilapidations provisions recognised where the company is contractually required to dismantle, remove or restore the leased asset. Right-of-use assets are disclosed under three separate categories in the financial statements. These include land and buildings,

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021***Accounting policies (continued)**Leases (continued)*

plant and equipment and other (made up of fixtures & fittings and software). Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless, as is typically the case, this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term. When the company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependant on a rate of index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

*Impairment*

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

An impairment charge is recognised in the Income Statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

*Calculation of recoverable amount*

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

*Reversals of impairment*

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised. A reversal of an impairment loss is recognised as income immediately in the Income Statement.

*Inventories*

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

*Research and development*

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021*****Accounting policies (continued)******Government grants***

Amounts receivable from government grants are presented in the financial statements only when there is reasonable assurance that the Company fulfils the necessary conditions and that the grants will be received. Reported payroll costs is restated to gross of any CJRS payroll assistance received from the government which is now reported within other operating income.

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

Government grants in relation to income are credited in the Income Statement for the year. Government grants in relation to property, plant and equipment are credited to deferred income and released to income on the same basis that the related asset is depreciated.

***Foreign currencies***

The financial statements are presented in British sterling (£), which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

***Bargain purchase***

If the fair value of the net identifiable assets of the subsidiary acquired is in excess of the cost of the acquisition and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement. Please see note 10 to the financial statements for further detail in relation to bargain purchase.

***Discontinued operations***

Discontinued operations are reported when a component of the Company has been disposed of, or when a sale is highly probable, and its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company and is classified as held for sale or has been disposed of. Under FRS 101, in the Income Statement, an analysis of the results of discontinued operations must be shown in the income statement and statement of other comprehensive income in a column identified as relating to discontinued operations. A total column must also be presented. Corresponding notes to the Income Statement exclude amounts for discontinued operations, unless stated otherwise.

The Company classifies a non-current asset or disposal group as held for disposal if its carrying value will be recovered through a sales transaction or distribution to shareholders rather than continuing use.

***Pensions***

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. Contributions are charged in the income statement in the year in which they are incurred.

***Taxation***

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021*****Accounting policies (continued)***

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

***Reserves***

- Called up share capital represents the nominal value of shares issued
- Share Premium represents the difference between the consideration received and the nominal value of the shares issued
- The Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments

***Factoring and invoice discounting 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. The company is party to invoice discounting arrangements where advances are received with recourse. Where receivable balances have been sold and the risk and rewards have not been transferred, the advances are held as borrowings.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

***Trade receivables***

Trade receivables do not carry any interest and are initially stated at fair value then held at amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the Consolidated Income Statement when there is objective evidence that the asset is impaired.

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

***Trade payables***

Trade payables are not interest bearing and are initially stated at fair value then held at amortised cost.

***Cash at bank and in hand***

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

***Provisions***

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the company will be required to settle the obligation, and its value can be reliably estimated. Where the time value of money is material, provisions are discounted at a pre-tax rate. When a provision needs to be released, the provision is taken back to the Income Statement within the line where it was initially booked.

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021***Provisions for restructuring costs*

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

*Provisions for dilapidations*

Dilapidations are the provision recorded for the costs of returning properties held under lease to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases. The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease.

**2. Revenue**

Analysis or revenue by class of business

	<i>Continuing operations</i>	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>Total</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Stationary and office supplies	70,404	5,515		5,515
Distribution covid testing kits	2,485	-	-	-
Database management services	-	-	6,140	6,140
Print mail	-	-	579	579
<b>Total revenue</b>	<b>72,889</b>	<b>5,515</b>	<b>6,719</b>	<b>12,234</b>

All revenue arose within the United Kingdom.

The revenue from continuing operations is from OT Group Limited, in 2021 this is for the twelve months ending 30<sup>th</sup> June 2021, in 2020, OT Group Limited traded for the six week period 15<sup>th</sup> May 2020 to 30<sup>th</sup> June 2020 when the acquisition of Office Teams completed.

**3. Other operating income**

	<i>2021</i>	<i>2020 restated</i>
	<i>£000</i>	<i>£000</i>
Government grants receivable	2,191	746
Other	444	-
	<b>2,635</b>	<b>746</b>

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.



## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**4. Operating profit**

This is stated after charging:

	2021 £000	2020 £000
Auditors' remuneration – audit services	56	41
Lease charged ( note 12)	1,344	206
Depreciation of tangible assets (note 12)	244	60
Amortisation of intangible assets (note 11)	2,125	3
Amortisation of right of use assets (note 13)	82	-

**5. Employee information and directors' remuneration**

The monthly average number of persons employed during the year was as follows:

	2021 No.	2020 No.
Operations	134	385
Administration	387	368
	<b>521</b>	<b>753</b>

  

	2021 £000	2020 restated £000
Wages and salaries	17,224	2,077
Social security costs	1,521	200
Pension costs – defined contributions	388	44
	<b>19,133</b>	<b>2,321</b>

The prior year payroll costs have been restated to present the amounts gross of CJRS income which is now reported within other operating income on the Income Statement.

One Director was paid £43,000 salary, and £2,000 paid to the company pension scheme (2020 – nil), one Director charged fees of £262,000 (2020 - £53,000).

For the Directors not remunerated by OT Group Ltd, the Directors do not believe it is practical to apportion their remuneration received for services to the Group, across subsidiaries. The Directors are considered to be the only key management personnel of the company.

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**6. Net finance costs**

	2021	2020
	£000	£000
Interest payable to group undertakings	174	5
Lease interest	11	-
Other finance charges	57	-
	<b>242</b>	<b>5</b>

**7. Income tax**

	2021	2020
	£000	£000
(a) Taxation charge/(credit)		
<i>Continuing operations</i>		
<i>Current tax:</i>		
Current tax on profit for the year	-	-
Adjustment on current tax in respect of prior periods	-	-
Total current tax charge	<b>-</b>	<b>-</b>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	1,416	60
Effect of tax rate change on opening balance	(1,020)	-
Total deferred tax credit	<b>396</b>	<b>60</b>
Tax credit on profit on ordinary activities (note 7(b))	<b>396</b>	<b>60</b>

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

***Income tax (continued)*****(b) Factors affecting current tax credit for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
(Loss)/profit before tax	(5,313)	10,196
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,009)	1,937
<i>Effects of:</i>		
Income not taxable for tax purposes	(1,030)	(1,997)
Fixed asset differences	303	-
Expenses not deductible for tax purposes	77	-
Losses carried back	941	-
R&D expenditure credits	22	-
Deferred tax on business combination	(428)	-
Timing differences not recognised in the computation	(1,077)	-
Remeasurement of deferred tax for changes in tax rates	883	-
Deferred tax not recognised	922	-
Other timing differences leading to an increase/(decrease) in taxation	-	-
<b>Tax credit for the year (note 7(a))</b>	<b>(396)</b>	<b>(60)</b>

	2021	2020
	£000	£000
<b>(c) Discontinued operations</b>		
<i>Current tax:</i>		
Current tax on profit for the year	-	(1)
Adjustment on current tax in respect of prior periods	-	-
Total current tax charge	-	(1)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
Effect of tax rate change on opening balance	-	-
Total deferred tax credit	-	-
Tax credit on profit on ordinary activities	-	(1)

## OT Group Limited

**Notes to the financial statements (continued)****For the year ended 30 June 2021*****Income tax (continued)******Discontinued operations (continued)*****(d) Factors affecting current tax credit for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit before tax	-	600
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	-	114
<i>Effects of:</i>		
Other timing differences leading to an increase/(decrease) in taxation	-	(115)
<b>Tax credit for the year (note 7(c))</b>	-	<b>(1)</b>

**(e) 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.

**8. Discontinued Operations**

On 12 May 2020, the company transferred the Paragon Data Analytics Limited trade and assets in the amount of £333,000 to Paragon Customer Communications (London) Limited. No gain/loss arose on this transaction.

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**9. Acquisitions****Acquisition of part of the trade and certain assets of Office Depot – 18<sup>th</sup> June 2021**

On the 18 June 2021, the company acquired part of the trade and certain assets and liabilities of the Office Depot business in the UK and Ireland (part of the Office Depot Group). In calculating the gain on acquisition arising on this acquisition, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. The fair value of assets and liabilities acquired are summarised in the following table.

	<i>Fair Value</i>
	<i>£'000</i>
Property, plant and equipment	5,423
Brand	512
Customer relationships	1,288
Non-current assets	7,223
Inventories	1,645
Trade and other receivables	746
Current assets	2,391
<b>Total assets</b>	<b>9,614</b>
Trade and other payables	(189)
Deferred tax liabilities	(1,782)
<b>Total liabilities</b>	<b>(1,971)</b>
<b>Net assets</b>	<b>7,643</b>
Fair value of consideration	(1,282)
<b>Gain on bargain purchase</b>	<b>6,361</b>

An income approach incorporating the multi-period excess earnings methodology (MEEM) was used in assessing the valuation of the core business contracts and relationships as at the date of acquisition. Trademark licences have been valued using a royalty relief methodology.

The fair value of the customer relationships was based on an external valuation prepared by specialists with the direct experience of the types of assets concerned. The fair value of property, plant and equipment was based on replacement cost as new less depreciation, was based on an external valuation prepared by specialists with the direct experience of the types of assets concerned. The fair value of consideration comprised of deferred consideration of £1,282,000. No revenue or costs have been included in the current financial year on the basis of materiality.

Office Depot was acquired to synergise and expand further into the Office Supplies sector. The gain on acquisition arose as discounted assets were bought due to the parent exiting the sector. The business is a leading supplier of workspace products and services to a blue-chip corporate and public sector customer base within the UK and Ireland. Office Depot offers long standing customers, a diverse revenue base, cross-sell opportunities, synergy potential and an experienced team.

In respect of the acquisition, no revenue or EBITDA has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of £40,722,000 and EBITDA of £147,000.

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**10. Intangible assets**

	<i>Customer Relationships</i>	<i>Brands</i>	<i>Software</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 July 2019	-	-	114	<b>114</b>
Disposals	-	-	(114)	<b>(114)</b>
Acquisitions	6,544	5,212	1,550	<b>13,306</b>
Additions	-	-	50	<b>50</b>
At 30 June 2020	<b>6,544</b>	<b>5,212</b>	<b>1,600</b>	<b>13,356</b>
Acquisitions	1,288	512	-	<b>1,800</b>
Additions	-	-	1,499	<b>1,499</b>
At 30 June 2021	<b>7,832</b>	<b>5,724</b>	<b>3,099</b>	<b>16,655</b>
<i>Amortisation:</i>				
At 1 July 2019	-	-	111	<b>111</b>
Charge for the year	-	-	3	<b>3</b>
Disposals	-	-	(114)	<b>(114)</b>
At 30 June 2020	-	-	-	<b>-</b>
Charge for the year	1,091	521	513	<b>2,125</b>
At 30 June 2021	<b>1,091</b>	<b>521</b>	<b>513</b>	<b>2,125</b>
<i>Net book value:</i>				
At 30 June 2021	<b>6,741</b>	<b>5,203</b>	<b>2,586</b>	<b>14,530</b>
At 30 June 2020	<b>6,544</b>	<b>5,212</b>	<b>1,600</b>	<b>13,356</b>

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**11. Property, plant and equipment**

	<i>Plant and Machinery</i>	<i>Computer equipment</i>	<i>Leasehold improvements</i>	<i>Short-term leasehold property</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>						
At 1 July 2019	-	514	-	536	390	<b>1,440</b>
Acquisitions	45	375	-	-	125	<b>545</b>
Additions	12	-	-	-	-	<b>12</b>
Disposals	-	(514)	-	(536)	(390)	<b>(1,440)</b>
At 30 June 2020	<b>57</b>	<b>375</b>	-	-	<b>125</b>	<b>557</b>
Additions	-	51	-	-	29	<b>80</b>
Acquisitions	4,900	61	421	-	41	<b>5,423</b>
At 30 June 2021	<b>4,957</b>	<b>487</b>	<b>421</b>	-	<b>195</b>	<b>6,060</b>
<i>Depreciation:</i>						
At 1 July 2019	-	513	-	238	389	<b>1,140</b>
Charge for the year	2	25	-	29	4	<b>60</b>
Disposals	-	(513)	-	(267)	(390)	<b>(1,170)</b>
At 30 June 2020	<b>2</b>	<b>25</b>	-	-	<b>3</b>	<b>30</b>
Charge for the year	19	197	-	-	28	<b>244</b>
At 30 June 2021	<b>21</b>	<b>222</b>	-	-	<b>31</b>	<b>274</b>
<i>Net book value:</i>						
At 30 June 2021	<b>4,936</b>	<b>265</b>	<b>421</b>	-	<b>164</b>	<b>5,786</b>
At 30 June 2020	<b>55</b>	<b>350</b>	-	-	<b>122</b>	<b>527</b>

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**12. Leases****Right of use assets**

	<i>ROU land and buildings</i>	<i>ROU plant and machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>			
At 1 July 2020	-	-	-
Additions	143	736	879
At 30 June 2021	<b>143</b>	<b>736</b>	<b>879</b>
<i>Depreciation:</i>			
At 1 July 2020	-	-	-
Charge for the year	14	68	82
At 30 June 2021	<b>14</b>	<b>68</b>	<b>82</b>
<i>Net book value:</i>			
At 30 June 2021	<b>129</b>	<b>668</b>	<b>797</b>
At 30 June 2020	-	-	-

**Lease liabilities**

	<i>Land and buildings</i>	<i>Plant &amp; machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>			
At 30 June 2020	-	-	-
Additions	143	736	879
Interest	2	9	11
Repayments	(16)	(67)	(83)
At 30 June 2021	<b>129</b>	<b>678</b>	<b>807</b>
Current	27	142	169
Non-current	102	536	638
At 30 June 2021	<b>129</b>	<b>678</b>	<b>807</b>
At 30 June 2020	-	-	-



## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**Leases (continued)****Undiscounted cashflows**

	<i>Land and buildings £000</i>	<i>Plant &amp; machinery £000</i>	<i>Total £000</i>
Not later than one year	36	187	223
After one year but not more than five years	126	662	788
<b>Total undiscounted cashflows</b>	<b>162</b>	<b>849</b>	<b>1,011</b>

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

Lease charges of £1,344,000 (2020: £ 206,000) for short term leases were not accounted for under IFRS 16 'Leases'. Operating lease commitments consisted of total minimum lease payments of £613,000 (2020: £1,114,000) which were not accounted for under IFRS 16 'Leases'.

**13. Investment in subsidiaries**

	<i>2021 £000</i>	<i>2020 £000</i>
<i>Cost:</i>		
At 1 July	100	-
Acquisition	-	100
At 30 June	<u>100</u>	<u>100</u>

The Company owns the entire issued share capital of Stat Company Limited. This was included within the assets acquired from OfficeTeam Limited on 14<sup>th</sup> May 2020. Its sole asset is its ownership of the entire issued share capital of Zen Office Limited whose principal activity is the supply of office products. The registered address of Stat Company Limited is Zenoffice House Gateway Crescent, Broadway Business Park, Chadderton, Greater Manchester, England, OL9 9XB.

**14. Inventories**

	<i>2021 £000</i>	<i>2020 £000</i>
Finished goods	8,230	8,684
	<u>8,230</u>	<u>8,684</u>

There was no write down of inventories in either period.

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**15. Trade and other receivables**

	2021	2020
	£000	£000
Trade receivables	83	383
Amounts owed by group undertakings	1,918	-
Other receivables	822	801
Prepayments	2,177	1,840
Other taxes and social security costs	-	124
	<b>5,000</b>	<b>3,148</b>

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

**16. Cash and cash equivalents**

	2021	2020
	£000	£000
Cash and cash equivalents	<b>7,536</b>	<b>962</b>

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximates to their fair value.

Included are restricted cash balances arising from the company factoring facility of £1,756,000 (2020: £509,000).

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**17. Trade and other payables**

	2021	2020
<i>Due within one year</i>	<i>£000</i>	<i>£000</i>
Trade payables	12,288	4,521
Amounts owed to group undertakings - trade	601	303
Other taxes and social security costs	1,632	-
Other payables	965	100
Deferred consideration	1,282	100
Accruals and deferred income	1,139	2,019
	<b>17,907</b>	<b>7,043</b>
<i>Due in more than one year</i>	<i>£000</i>	<i>£000</i>
Amounts owed to group undertakings - Loan	4,689	4,340
	<b>4,689</b>	<b>4,340</b>

The Loan of £4,689,000, bears interest at a rate 2.19% and is repayable between 1 – 2 years.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

**18. Provisions**

	<i>Restructuring</i>	<i>Dilapidations</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 July 2019	-	55	55
Acquisitions	2,507	-	2,507
Disposals	-	(55)	(55)
At 30 June 2020	<b>2,507</b>	-	<b>2,507</b>
Charge	597	-	597
Utilised	(2,884)	-	(2,884)
At 30 June 2021	<b>220</b>	-	<b>220</b>
Current	220	-	220
Non-current	-	-	-
At 30 June 2021	<b>220</b>	-	<b>220</b>

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**19. Deferred tax**

An analysis of the deferred tax provision is as follows:

	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other timing differences	4,618	3,232	11	-

Reconciliation of opening to closing deferred tax liability:

	<i>£000</i>
At 1 July 2020	3,232
Timing differences	1,386
At 30 June 2021	4,618

**20. Pension***Defined contribution scheme*

The defined contribution scheme is funded by the payment of contributions to an independently administered fund and the assets of the scheme are held separately from those of the company. The pension cost for the year amounted to £388,000 (2020: £44,000).

Contributions totalling £77,000 (2020: £98,000) were payable to the fund at the year end and are included in creditors.

**21. Share capital***Called up share capital*

	<i>2021</i>	<i>2020</i>
	<i>£</i>	<i>£</i>
<i>Authorised</i>		
2,000,100 ordinary shares of £1 each	2,000,100	100
<i>Allotted, called up and fully paid</i>		
2,000,100 ordinary shares of £1 each	2,000,100	100

During the year, the Company approved and issued two million ordinary shares of £1 of OT Group Limited to its immediate parent Paragon Graphics Limited in part satisfaction of the Company's indebtedness to its immediate parent.

## OT Group Limited

**Notes to the financial statements (continued)**

For the year ended 30 June 2021

**22. Share Premium**

	2021	2020
	£	£
Arising on issue of 2,000,000 ordinary shares of £1 each	<u>7,000,000</u>	<u>-</u>

During the year, the Company approved and issued two million ordinary shares of £1, with a premium of £3.50 per share of OT Group Limited to its immediate parent Paragon Graphics Limited in part satisfaction of the Company's indebtedness to its immediate parent.

**23. Capital commitments**

Capital expenditure not provided for in the financial statements but authorised by the directors, amounts to £Nil (2020: £Nil).

**24. Contingent liabilities**

In the directors' opinion there are no contingent liabilities.

**25. Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 101 with reference to IAS 24 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

**26. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking is Paragon Graphics Limited. The ultimate parent undertaking is Paragon Group Limited which has included the company in its Group financial statements, a copy of which are available from its registered office at Lower Ground Floor, Park House, 16/18, Finsbury Circus, London, England, EC2M 7EB.

**27. Post balance sheet events**

On 18<sup>th</sup> June 2021, the Company acquired part of the trade and certain assets of Office Depot, for a consideration of £1,282,000. The acquisition was completed on 27<sup>th</sup> September 2021 with further assets acquired, including the purchase of the open debtor book & contributions to future rent, rates & other establishment costs, the final consideration amounted to £7,623,000.

The acquisition includes Office Depot Europe's larger mid-market, major and public sector contract customers in the UK and Ireland. The deal includes the state-of-the art warehousing facilities of the Office Depot Europe's distribution centre in Ashton-Under-Lyne, Manchester and the headquarters of Vital Communications, Office Depot's print, and marketing and communications business in Dartford, Kent. The transaction provides the company with the opportunity to significantly increase its size and scale in workplace solutions and business services, to increase efficiency through the new highly automated warehouse and distribution centre and to extract overhead savings through the consolidation process.

This acquisition enabled the company to close the existing warehouse in Birmingham in December 2021.