

dsicmm Group Limited

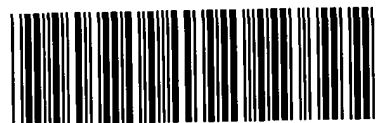
Report and Financial Statements

For the 6-Month Period Ended

30 June 2017

Company Number 06180792

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dsicmm Group Limited

Company Information

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	06180792
Registered office	Lower Ground Floor Park House 16/18 Finsbury Circus London EC2M 7EB
Independent auditors	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
Bankers	Lloyds Bank plc 25 Gresham Street London E2CV 7HN

dsicmm Group Limited

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**Strategic Report
for the 6 month period ended 30 June 2017**

Principal activity

The principal activity of the company continued to be that of a holding company for Paragon Customer Communication (London) Limited.

Sale of Output UK Business

On the 14 June 2016 DSTI Systems Inc. announced to the market that it was pursuing the divestiture of its U.K. Customer Communications business, the DST Output Limited Group. The divestiture was completed on 4 May 2017, the entire UK Customer Communications business was sold to Grenadier Holdings PLC (Company Registration Number 03591693) and now registered as Paragon Customer Communications Limited.

Business review

The loss for the 6-month period is £94,000 (year ended 31 December 2016 - £192,000) and no dividend has been proposed or paid during the period (2016 - £Nil). The net assets position as at the end of the period is £12,822,000 (31 December 2016 - £12,916,000).

Principal risks and uncertainties

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

Key performance indicators

dsicmm Group Limited is managed by the directors in accordance with the strategies of its parent company, Paragon Customer Communications Limited (the "group"). For this reason, the directors believes 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.

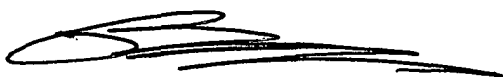
Environmental matters

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.

Impact of the UK deciding to leave the European Union

The directors have considered the impact of the UK deciding to leave the European Union on 23 June 2016 and the triggering of Article 50 on 29 March 2017 and do not believe it will have a significant impact on the entity subsequent to the year end.

This report was approved by the board on 28 March 2018 and signed on its behalf by.



J E C Walters
Director

dsicmm Group Limited

Directors' Report for the 6 month period ended 30 June 2017

The directors present their report together with the audited financial statements for the 6-month period ended 30 June 2017.

Directors

The following directors held office during the period and up to the date of signing these financial statements:

P J Crean (appointed 4 May 2017)
L T Salmon (appointed 4 May 2017)
J E C Walters (appointed 16 June 2017)
G Given (resigned 4 May 2017)

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of foreign currency risk, liquidity risk and interest rate cash flow risk. The company has in place a financial risk management programme that seeks to limit the adverse effects on the financial performance of the company. The company does not use derivative financial instruments to manage currency risk exposure and as such, no hedge accounting is applied.

Liquidity risk

The company actively monitors working capital and ensures that the company has sufficient available funds for operations and meeting its debts as they fall due.

Interest rate cash flow risk

The company has interest bearing liabilities on which interest is paid at floating rates.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

dsicmm Group Limited

Directors' Report (continued) for the 6 month period ended 30 June 2017

Statement of directors' responsibility in respect of the financial statements (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 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.

Directors' qualifying third party indemnity provisions

Paragon Customer Communications Limited maintains liability insurance for the directors of dsicmm Group Limited. For the purpose of the Companies Act 2006, Paragon Customer Communications Limited provides indemnity insurance for the directors and secretary of dsicmm Group Limited for the qualifying third party provisions. The indemnity insurance was in place for the whole year up to the date the financial statements were approved.

Disclosure of information to auditors

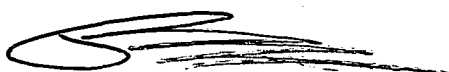
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Independent auditors

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

This report was approved by the board on 28 March 2018 and signed on its behalf.



J E C Walters
Director

dsicmm Group Limited

Independent Auditors' Report to the Members of dsicmm Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, dsicmm Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the 6 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2017; the statement of comprehensive income, the statement of changes in equity for the 6 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

dsicmm Group Limited

Independent Auditors' Report to the Members of dsicmm Group Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

dsicmm Group Limited

Independent Auditors' Report to the Members of dsicmm Group Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

29 March 2018

dsicmm Group Limited

Statement of Comprehensive Income for the 6 month period ended 30 June 2017

	Note	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Administrative expenses		(3)	(3)
Operating loss	4	(3)	(3)
Interest payable and similar expenses	6	(105)	(238)
Loss before taxation		(108)	(241)
Tax credit on loss	7	14	49
Total comprehensive expense for the period/ year		<u>(94)</u>	<u>(192)</u>

There were no other items of comprehensive income/expense in the 6-month period ended 30 June 2017 (year ended 31 December 2016 - £Nil).


The notes on pages 10 to 16 form part of these financial statements.

dsicmm Group Limited
Registered number:06180792

Statement of Financial Position
as at 30 June 2017

	Note	30 June 2017 £000	31 December 2016 £000
Fixed assets			
Investments	8	23,731	23,731
Current assets			
Debtors	9	6,100	6,191
		<u>6,100</u>	<u>6,191</u>
Creditors: amounts falling due within one year	10	(9)	(6)
		<u>6,091</u>	<u>6,185</u>
Net current assets			
		<u>29,822</u>	<u>29,916</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	11	(17,000)	(17,000)
		<u>12,822</u>	<u>12,916</u>
Net assets			
Capital and reserves			
Called up share capital	12	47	47
Merger reserve		16,619	16,619
Profit and loss account		(3,844)	(3,750)
		<u>12,822</u>	<u>12,916</u>
Total equity			

The financial statements on pages 7 to 16 were approved and authorised for issue by the board of directors and were signed on their behalf by


J E C Walters
Director

Date: 28/3/18

The notes on pages 10 to 16 form part of these financial statements.

dsicmm Group Limited

Statement of Changes in Equity for the 6 month period ended 30 June 2017

	Called up share capital	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	47	16,619	(3,750)	12,916
Comprehensive expense for the period				
Loss for the 6-month period			(94)	(94)
Total comprehensive expense for the period			(94)	(94)
At 30 June 2017	47	16,619	(3,844)	12,822

Statement of Changes in Equity for the year ended 31 December 2016

	Called up share capital	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	47	16,619	(3,558)	13,108
Comprehensive expense for the year				
Loss for the financial year	-	-	(192)	(192)
Total comprehensive expense for the year	-	-	(192)	(192)
At 31 December 2016	47	16,619	(3,750)	12,916

The notes on pages 10 to 16 form part of these financial statements.

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017

1. General information

dsicmm Group Limited is a private limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement 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 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 2017 and these financial statements may be obtained from 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.

2.4 Valuation of investments

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

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

2. Accounting policies (continued)

2.5 Impairment of investments

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

2.6 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.

2.7 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.

2.8 Reserves

The company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- The merger relief reserve arose on a past business combination that was accounted for as a merger in accordance with FRS 102 as applied at that time.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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

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

- Determine whether there are indicators of impairment of the company's investments in subsidiaries, joint ventures and associates. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the asset.

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

4. Operating loss

The operating loss is stated after charging:

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Auditors' remuneration - fees payable for the audit	<u>3</u>	<u>3</u>

5. Directors' remuneration

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

6. Interest payable and similar expenses

	6 months ended 30 june 2017 £000	Year ended 31 December 2016 £000
Loans from group undertakings	<u>105</u>	<u>238</u>

7. Tax credit on loss

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Corporation tax		
Current tax on loss for the period/ year	-	(48)
Adjustments in respect of previous periods	(14)	(1)
Total current tax	<u>(14)</u>	<u>(49)</u>

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

7. Tax credit on loss (continued)

Factors affecting tax charge for the period/ year

The tax assessed for the period is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	6 months period ended 2017 £000	Year ended 31 December 2016 £000
Loss before taxation	<u>(108)</u>	<u>(241)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	(21)	(48)
Effects of:		
Expenses not deductible for tax purposes	21	-
Adjustment relating to prior years	(14)	(1)
Total tax credit for the period/ year	<u>(14)</u>	<u>(49)</u>

Factors that may affect future tax charges

Legislation has been enacted to reduce the main UK corporation tax rate from 20% to 19% effective from 1 April 2017. A further reduction to 17% has also been enacted and will be effective from 1 April 2020.

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

8. Investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2017	25,837
At 30 June 2017	<u>25,837</u>
Impairment	
At 1 January 2017	2,106
At 30 June 2017	<u>2,106</u>
Net book value	
At 30 June 2017	<u><u>23,731</u></u>
At 31 December 2016	<u><u>23,731</u></u>

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Subsidiary undertakings directly held:				
Paragon Customer Communications (London) Limited*	England & Wales	& Ordinary	100%	Processing of data and mailing
Innovative Output Solutions (Manchester) Limited*	England & Wales	& Ordinary	100%	Printing services
Innovative Output Solutions (Manchester) Limited*	England & Wales	& Preference	100%	Printing services

Participating interests indirectly held:

Joint ventures:

dsi Billing Services Limited***	England & Wales	& Ordinary	50%	Billing and service providers
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Associates:

European Direct Mail Specialists Limited**	England & Wales	& Ordinary	50%	Mailing and delivery services
Response Handling Centre Limited**	England & Wales	& Ordinary	34%	Administrative support for fund raising companies

* The registered address of these companies is Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

** The registered address of this company is 5 White Oak Square, Swanley, Kent, BR8 7AG.

*** The registered address of this company is Evolution House, Choats Road, Dagenham, Essex, RM9 6BF

The directors believe that the carrying value of the remaining investments is supported by their underlying net assets.

9. Debtors: Amount falling due within one year

	30 June 2017 £000	31 December 2016 £000
Amounts owed by group undertakings	<u>6,100</u>	<u>6,191</u>

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

dsicmm Group Limited

Notes to the Financial Statements for the 6 month period ended 30 June 2017 (continued)

10. Creditors: Amounts falling due within one year

	30 June 2017 £000	31 December 2016 £000
Accruals and deferred income	<u>9</u>	<u>6</u>

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

	30 June 2017 £000	31 December 2016 £000
Amounts owed to group undertakings	<u>17,000</u>	<u>17,000</u>

Amounts owed to group undertakings consist of an unsecured £17,000,000 loan from Paragon Customer Communications Limited. The loan is repayable in 2020 and bears interest at the Bank of England base rate plus 1%.

12. Called up share capital

	30 June 2017 £000	31 December 2016 £000
Allotted, called up and fully paid		
4,729,800- (2016 - 4,729,800) Ordinary shares of £0.01 each	<u>47</u>	<u>47</u>

13. Related party transactions

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

14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Lateral Holdings (UK) 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 England. Grenadier Holdings PLC, a wholly owned subsidiary of Paragon Group Limited, Acquired Paragon Customer Communications Limited on 4th May 2017. Prior to this, the ultimate controlling party was DST Systems, Inc., a company incorporated in the United States of America.