

Registered number: 06711794

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors

P J Crean
L T Salmon
J S Farmer
M S Gordon
S A Shine
J E C Walters

Company secretary

J S R Dally

Registered number

06711794

Registered office

Lower Ground Floor, Park House
16/18 Finsbury Circus
London
EC2M 7EB

Independent auditors

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
30 Finsbury Square
London
EC2A 1AG

Bankers

National Westminster Bank PLC
92 High Street
Huntingdon
Cambridgeshire
PE29 3DT

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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

Introduction

The directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006. The directors present this Strategic report and the audited financial statements for the year ended 30 June 2021 (2020 - 18 months period).

Business review

The results for the company for the year show a loss before taxation of £6.2 million (18 months period ended 30 June 2020 - £3.4 million loss) and turnover of £124.3 million (30 June 2020 - £214.9 million). The dividend proposed and paid during the year amounted to 66.4p (18 months period ended 30 June 2020 - 42.8p) per ordinary share.

The net assets position as at the end of the year is £6.7m (30 June 2020 - £38.3m).

The decrease of 13.2% in turnover was partly as a result of the transfer of Barnwood operations to other PCC group locations as trading in the year was also impacted by the Covid19 pandemic. While none of the business operations were closed during the pandemic the decline in the general business activity resulting from the lockdown led to lower business volumes within the business and the business made use of the Coronavirus Job Retention Scheme offered by the UK government. The business continued to service its clients with the continued support and efforts of the employees during this difficult and uncertain period.

There is a slight improvement in the gross margin from 31% in 2020 to 36% in 2021 which is attributable to synergy from being part of Paragon Group. Also, the benefits accruing to the company from its acquisition by Paragon Group is reflected in the positive variance of 68.9% in the underlying operating loss for the year (see note 31).

Principal risks and uncertainties

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

Key performance indicators

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Strategy and future developments

The company continues to develop and provide deep expertise in a full range of market leading integrated solutions that match the demands of an evolving and complex customer communication landscape.

Future developments will include developing solutions unique to Paragon, whilst also integrating best of breed third party software and application to ensure we always offer clients the most up to date and relevant customer communications solutions for their specific challenges. We continue to invest in an infrastructure that enables us to make physical communication more engaging, often using dynamic, variable data combined with interactive formats. Being part of a global group, we benefit from the sharing of knowledge, best practice and research and development, providing world leading applications on both a local and international level.

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 Paragon Customer Communications International Limited 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 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.

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.

Coronavirus risk

In relation to the Coronavirus (COVID-19) pandemic, the directors continue to assess the situation across key markets and the potential risk to the operation of the business daily. The directors have taken all 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 firmly insisting all employees to work from home where possible. The company has maintained a sufficient level of trading activity during the crisis. At the date of signing the financial statements the directors do not consider there to be a threat to the overall business in the case of another Coronavirus-related closures and lockdowns, or the company (through the support of the overall Paragon Group) having access to sufficient working capital. The directors believe that appropriate strategies have been developed to ensure the company can continue to reduce and manage the impacts of the adverse developments which could otherwise affect the company's ability to continue trading.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Brexit risk

The UK's decision to leave the EU has had minimal impact on the company and across the group as a whole. Political and economic uncertainty have progressively faded and there has been no significant decline in the value of Sterling. Given the scale of Brexit, the Board continues to monitor whether any further volatility is likely to arise in the short to medium term.

This report was approved by the board on

18/2/2022

and signed on its behalf.

Jeremy Walters

J E C Walters
Director

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

Results and dividends

The loss for the year, after taxation, amounted to £5.0m (2020 - £2.7m).

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

Directors

The directors who served during the year were:

P J Crean
L T Salmon
J S Farmer
M S Gordon
S A Shine
J E C Walters

Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its ultimate parent company ("the Paragon Group"). The Paragon Group have performed an assessment of going concern by reviewing the Group's cash position, available banking facilities and financial forecasts for the period under review being July 2021 through to March 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. 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.

The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions:

- The management case anticipates that volume would be steady for the remainder of the period under review;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes including furloughing staff as part of government support scheme and reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- The downside case included further reductions in the range of 10%, 25% and 40% in turnover across the Group's five divisions for the remainder of period under review, to reflect the scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of the next year. Those projections showed that the Group will continue to operate viably over that period;
- The above downside case excludes €180m in post-balance sheet funding received by the wider Group, which will have a positive impact on going concern.

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

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.

Financial risk management

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

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

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

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

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

Research and development

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

Employment of disabled persons

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

Directors' qualifying third party provisions

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

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Statement of directors' responsibilities in respect of the financial statements

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Engagement with suppliers, customers and others

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

Strong leadership, along with continued support from customers and suppliers, who continue to recognise Paragon group's commitment to the communications industry, resulted in us reporting excellent growth in both turnover and profitability, primarily from the augmentation of existing accounts within the Paragon group of companies.

Our position of offering a complete range of communication solutions is becoming ever more attractive to clients in an increasingly complex multi-channel driven, communication landscape. These financial statements show the costs related to our ongoing integration with the Paragon group and our commitment to continue to offer the very best solutions for our customers, most notably our expansion into new key European financial centres including Luxembourg and Dublin. This investment builds on Paragon Customer Communications' cross-border expertise and presence

Disclosure of information to auditors

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

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

Independent auditor

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

This report was approved by the board on 18/2/2022 and signed on its behalf.

J E C Walters
Director

Jeremy Walters

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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

Opinion

We have audited the financial statements of Paragon Customer Communications International Limited (the 'Company') for the year ended 30 June 2021, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

directors for the financial statements' section of this report.

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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

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 frameworks FRS102 and the Companies Act 2006).
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and management. We corroborated our inquiries through our review of board minutes and walkthroughs performed with management.
- We assessed the susceptibility of the company's 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;


PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

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

- 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 values or those posted at the year end;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
- The engagement partner assessed whether the engagement team collectively had the appropriate competence 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.
 - 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 in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
London
Date: 18 February 2022

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2021**

| | | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 Restated £000 |
|---|------|---------------------------------------|--|
| | Note | | |
| Turnover | 4 | 124,307 | 214,914 |
| Cost of sales | | (80,037) | (149,069) |
| Gross profit | | 44,270 | 65,845 |
| Distribution costs | | (153) | (686) |
| Administrative expenses | | (56,497) | (77,854) |
| Other operating income | 5 | 736 | 314 |
| Operating loss | 6 | (11,644) | (12,381) |
| Income from other fixed asset investments | | 5,340 | 9,568 |
| Interest receivable and similar income | 11 | 381 | 231 |
| Interest payable and similar expenses | 12 | (311) | (790) |
| Loss before tax | | (6,234) | (3,372) |
| Tax on loss | 13 | 1,239 | 680 |
| Loss for the financial year | | (4,995) | (2,692) |

There were no recognised gains and losses for 2021 or 2020 other than those included in the profit and loss account.

All results are from continuing operations.

The notes on pages 16 to 44 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED
REGISTERED NUMBER: 06711794

BALANCE SHEET
AS AT 30 JUNE 2021

| | Note | 2021 £000 | 2020 £000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 15 | 6,366 | 9,251 |
| Tangible assets | 16 | 5,448 | 5,542 |
| Investments | 17 | 231 | 22,840 |
| | | <u>12,045</u> | <u>37,633</u> |
| Current assets | | | |
| Stocks | 18 | 1,749 | 2,004 |
| Debtors: amounts falling due after more than one year | 19 | 20,531 | 5,721 |
| Debtors: amounts falling due within one year | 19 | 29,600 | 39,957 |
| Cash at bank and in hand | 20 | 320 | 8,837 |
| | | <u>52,200</u> | <u>56,519</u> |
| Creditors: amounts falling due within one year | 21 | (49,958) | (40,553) |
| Net current assets | | <u>2,242</u> | <u>15,966</u> |
| Total assets less current liabilities | | <u>14,287</u> | <u>53,599</u> |
| Creditors: amounts falling due after more than one year | 22 | (3,806) | (13,337) |
| Provisions for liabilities | | | |
| Other provisions | 25 | (3,773) | (1,985) |
| | | <u>(3,773)</u> | <u>(1,985)</u> |
| Net assets | | <u>6,708</u> | <u>38,277</u> |
| Capital and reserves | | | |
| Called up share capital | 26 | 10,000 | 40,000 |
| Profit and loss account | | (3,292) | (1,723) |
| | | <u>6,708</u> | <u>38,277</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18/2/2022

J E C Walters
 Director

Jeremy Walters

The notes on pages 16 to 44 form part of these financial statements.

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

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

The notes on pages 16 to 44 form part of these financial statements.

During the year, the company reduced its issued share capital from £40,000,000 to £10,000,000 by cancelling and extinguishing 30,000,000 of the issued ordinary shares of £1 each in the company.

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

| | Called up share capital | Profit and loss account | Total equity |
|---|----------------------------|----------------------------|---------------|
| | £000 | £000 | £000 |
| At 1 January 2019 | 40,000 | 51,396 | 91,396 |
| Comprehensive loss for the period | | | |
| Loss for the period | - | (2,692) | (2,692) |
| Distribution of net pension scheme assets | - | (32,772) | (32,772) |
| Deferred tax relating to pension scheme asset | - | 5,571 | 5,571 |
| Remeasurement of net defined benefit asset | - | (7,355) | (7,355) |
| Tax relating to items of other comprehensive income | - | 1,251 | 1,251 |
| Other comprehensive loss for the period | - | (33,305) | (33,305) |
| Total comprehensive loss for the period | - | (35,997) | (35,997) |
| Dividends: Equity capital | - | (17,122) | (17,122) |
| Total transactions with owners | - | (17,122) | (17,122) |
| At 30 June 2020 | 40,000 | (1,723) | 38,277 |

The notes on pages 16 to 44 form part of these financial statements.

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. General information

Paragon Customer Communications International Limited is a private 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.2 Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its ultimate parent company ("the Paragon Group"). The Paragon Group have performed an assessment of going concern by reviewing the Group's cash position, available banking facilities and financial forecasts for the period under review being July 2021 through to March 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. 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.

The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions:

- The management case anticipates that volume would be steady for the remainder of the period under review;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes including furloughing staff as part of government support scheme and reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- The downside case included further reductions in the range of 10%, 25% and 40% in turnover across the Group's five divisions for the remainder of period under review, to reflect the scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of the next year. Those projections showed that the Group will continue to operate viably over that period;
- The above downside case excludes €180m in post-balance sheet funding received by the wider Group, which will have a positive impact on going concern.

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.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Paragon Customer Communications Limited as at 30 June 2021 and these financial statements may be obtained from Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

2.4 Consolidation

The company is a wholly owned subsidiary of Paragon Customer Communications Limited, a company incorporated in England and Wales. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Paragon Customer Communications Limited.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.6 Revenue

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

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

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

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

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

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

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2019 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.8 Research and development

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

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.9 Government grants

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

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

2.10 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.11 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.14 Current and deferred taxation

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

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

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

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

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

2.15 Intangible assets

Goodwill

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

Development costs

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

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

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.16 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.17 Impairment of tangible and intangible assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.19 Stocks

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

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

2.20 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.

2.21 Cash and cash equivalents

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

2.22 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.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.24 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.24 Financial instruments (continued)

or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

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

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

2.25 Dividends

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

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

In applying the company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i. Revenue recognition

Revenue relating to development costs incurred on contract implementation is recovered in one of two ways, there may be explicitly determined revenues in the contract to cover these costs or the recovery may be built into the charge for goods and services provided during the term of the contract. Where the revenue is explicitly determined in the contract, both the costs and revenue are expensed over the life of the contract to which they relate. Where the development costs are recovered through the selling price this method relies on estimates of total expected contract revenues to ensure the developments costs can be fully recovered. Development costs recovered through the selling price are also expensed over the life of the contract to which they relate, but to the extent that the recovery of these costs is uncertain the costs are written off.

ii. Business combinations

Upon acquisition of another entity, the Group evaluates intangibles arising using methodologies recognised under FRS102 Section 19 Business Combinations and Goodwill. Judgement is required as to which intangibles meet the recognition criteria of separable, or non-separable intangible assets arising from contractual or other legal rights, where the fair value can be measured reliably. Intangibles arising assessed for indicators of impairment annually. Additional information is included in note 15.

b. Key sources of estimation and uncertainty

i. Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £5,984,000 (2020: £8,081,000). No impairment loss was recognised during the year (2020 - £Nil).

ii. Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. Judgments in applying accounting policies (continued)

technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of the property, plant and equipment and note 2.13 for the useful economic lives for each class of assets.

4. Turnover

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

| | Year ended | <i>18 months period ended</i> |
|-----------|-------------------|-----------------------------------|
| | 30 June | <i>30 June</i> |
| | 2021 | <i>2020</i> |
| | £000 | <i>£000</i> |
| Printmail | 66,910 | <i>128,660</i> |
| Services | 57,397 | <i>86,254</i> |
| | 124,307 | <i>214,914</i> |

Analysis of turnover by country of destination:

| | Year ended | <i>18 months period ended</i> |
|-------------------|-------------------|-----------------------------------|
| | 30 June | <i>30 June</i> |
| | 2021 | <i>2020</i> |
| | £000 | <i>£000</i> |
| United Kingdom | 116,550 | <i>193,469</i> |
| Rest of Europe | 4,314 | <i>11,962</i> |
| Rest of the world | 3,443 | <i>9,483</i> |
| | 124,307 | <i>214,914</i> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

5. Other operating income

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|------------------------------|---------------------------------------|--|
| Government grants receivable | 736 | 314 |
| | <u>736</u> | <u>314</u> |

During the financial year, the company received government assistance relating to the wages and salaries costs of employees furloughed under the Coronavirus Job Retention Scheme. Grants received have been recognised using the accrual model in accordance with FRS102 paragraph 24.5, and amounted to £736,000 (2020 - £314,000).

6. Operating loss

The operating loss is stated after charging:

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|--|---------------------------------------|--|
| Amortisation of goodwill | 2,097 | 3,145 |
| Amortisation of development costs | 795 | 1,845 |
| Depreciation of tangible fixed assets | 2,351 | 4,391 |
| Loss/(gain) on disposal of tangible fixed assets | 1 | (5) |
| Gain on disposal of investments | (6,060) | (1,218) |
| Foreign exchange (gain)/loss | (99) | 142 |
| Other operating lease rentals | - | - |
| - Plant and machinery | 350 | 1,290 |
| - Land and buildings | 1,002 | 2,288 |
| | <u>1,002</u> | <u>2,288</u> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

7. Auditors' remuneration

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|---|---------------------------------------|--|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | 173 | 233 |
| Fees payable to the Company's auditor and its associates in respect of: | | |
| Audit-related assurance services | 173 | 233 |
| | 173 | 233 |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

8. Employees

Staff costs, including directors' remuneration, were as follows:

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|-------------------------------------|---------------------------------------|--|
| Wages and salaries | 39,190 | 72,211 |
| Social security costs | 3,209 | 5,495 |
| Cost of defined contribution scheme | 1,240 | 2,835 |
| | 43,639 | 80,541 |

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

| | Year ended 30 June 2021 No. | 18 months period ended 30 June 2020 No. |
|-----------------------------|--|---|
| Sales and marketing | - | 3 |
| Production and distribution | 820 | 1,175 |
| Administration | 282 | 137 |
| | 1,102 | 1,315 |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

9. Directors' remuneration

During the year, the directors were remunerated through other Paragon UK Group companies and no recharges were made as it was not possible to determine the proportion of the directors' work that was performed for the company. The details for the 18 months period ended 30 June 2020 were as stated below:

| | Year ended 30 June 2021 £000 | <i>18 months period ended 30 June 2020 £000</i> |
|---|---|---|
| Directors' emoluments | - | 1,443 |
| Company contributions to defined contribution pension schemes | - | 84 |
| | <u>-</u> | <u>1,527</u> |

The highest paid director received remuneration of £NIL (18 months period ended 30 June 2020 - £946,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

| | No. | <i>No.</i> |
|---|------------|------------|
| Number of directors who: | | |
| Are members of money purchase pension schemes | - | 3 |
| | <u>-</u> | <u>3</u> |

10. Income from investments

| | Year ended 30 June 2021 £000 | <i>18 months period ended 30 June 2020 £000</i> |
|--|---|---|
| Dividends received from unlisted investments | <u>5,340</u> | <u>9,568</u> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

11. Interest receivable

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|--|---------------------------------------|--|
| Interest receivable from group companies | 381 | 231 |
| | <u>381</u> | <u>231</u> |

12. Interest payable and similar expenses

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|--|---------------------------------------|--|
| Interest on dilapidations provisions | 50 | 33 |
| Loans from group undertakings | 70 | 519 |
| Finance leases and hire purchase contracts | 12 | 46 |
| Other interest payable | 179 | 192 |
| | <u>311</u> | <u>790</u> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

13. Taxation

| | Year ended 30 June 2021 £000 | <i>18 months period ended 30 June 2020 £000</i> |
|--|---------------------------------------|---|
| Corporation tax | | |
| Current tax on profits for the year | - | (483) |
| | - | (483) |
| Total current tax | - | (483) |
| Deferred tax | | |
| Origination and reversal of timing differences | 464 | (1,025) |
| Changes to tax rates | (1,726) | 249 |
| Adjustment in respect of prior years | 23 | 579 |
| Total deferred tax | (1,239) | (197) |
| Taxation on loss on ordinary activities | (1,239) | (680) |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

13. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|--|---------------------------------------|--|
| Loss on ordinary activities before tax | (6,234) | (3,372) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | (1,184) | (641) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 1 | 145 |
| Capital allowances for year/period in excess of depreciation | - | (297) |
| Adjustments to tax charge in respect of prior periods | 23 | - |
| Short term timing difference leading to an increase (decrease) in taxation | 332 | 3 |
| Other timing differences leading to an increase (decrease) in taxation | 63 | - |
| Non-taxable income | (2,166) | (2,060) |
| Impairment of investment in subsidiary | - | 468 |
| Amortisation and impairment of goodwill | - | 598 |
| Pension contributions | - | (791) |
| Loss not recognised | - | 2,092 |
| Group relief | 3,306 | - |
| Remeasurement of deferred tax | (1,614) | (197) |
| Total tax charge for the year/period | (1,239) | (680) |

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.

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

14. Dividends

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|---|---------------------------------------|--|
| Dividend paid for the year amounted to 66.4p (18 months period ended 30 June 2020 - 42.8p) per ordinary share | 26,574 | 17,122 |
| | <u>26,574</u> | <u>17,122</u> |

15. Intangible assets

| | Development expenditure £000 | Goodwill £000 | Total £000 |
|-------------------------------------|------------------------------------|------------------|---------------|
| Cost | | | |
| At 1 July 2020 | 4,343 | 43,919 | 48,262 |
| Additions | 7 | - | 7 |
| Disposals | (197) | - | (197) |
| At 30 June 2021 | <u>4,153</u> | <u>43,919</u> | <u>48,072</u> |
| Amortisation | | | |
| At 1 July 2020 | 3,173 | 35,838 | 39,011 |
| Charge for the year on owned assets | 795 | 2,097 | 2,892 |
| On disposals | (197) | - | (197) |
| At 30 June 2021 | <u>3,771</u> | <u>37,935</u> | <u>41,706</u> |
| Net book value | | | |
| At 30 June 2021 | <u>382</u> | <u>5,984</u> | <u>6,366</u> |
| At 30 June 2020 | <u>1,170</u> | <u>8,081</u> | <u>9,251</u> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

16. Tangible fixed assets

| | Short-term leasehold property £000 | Plant and machinery £000 | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|-------------------------------------|---|--------------------------------|----------------------------------|-------------------------------|---------------|
| Cost or valuation | | | | | |
| At 1 July 2020 | 2,329 | 16,756 | - | 20,271 | 39,356 |
| Additions | 24 | 2,159 | - | 161 | 2,344 |
| Disposals | (400) | (7,348) | (183) | (7) | (7,938) |
| Transfers between classes | - | (2,618) | 2,618 | - | - |
| At 30 June 2021 | 1,953 | 8,949 | 2,435 | 20,425 | 33,762 |
| Depreciation | | | | | |
| At 1 July 2020 | 1,155 | 14,625 | - | 18,034 | 33,814 |
| Charge for the year on owned assets | 328 | 802 | 228 | 993 | 2,351 |
| Disposals | (400) | (7,261) | (183) | (7) | (7,851) |
| Transfers between classes | - | (2,091) | 2,091 | - | - |
| At 30 June 2021 | 1,083 | 6,075 | 2,136 | 19,020 | 28,314 |
| Net book value | | | | | |
| At 30 June 2021 | 870 | 2,874 | 299 | 1,405 | 5,448 |
| At 30 June 2020 | 1,174 | 2,131 | - | 2,237 | 5,542 |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

17. Fixed asset investments

| | Investments in subsidiary companies £000 |
|--------------------------|--|
| Cost or valuation | |
| At 1 July 2020 | 22,840 |
| Disposals | (22,609) |
| At 30 June 2021 | 231 |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Country of incorporation | Principal activity | Class of shares | Holding |
|---|-----------------------------|---------------------------------|--------------------|---------|
| PCC Poland Sp zoo 56C A1 Jerozolimskie, Warsaw Poland | Poland | Outsource processing | Common | 100% |
| Paragon Customer Communications Italy S.r.l. 14 Via Roncaglia, Milano, Italy 20146 | Italy | Document management services | Common | 100% |

During the year, the company transferred its holding in Critical Mail Continuity Services Limited, Paragon Customer Communications Ireland Limited and PCC GDS Limited up the ownership chain to Paragon Customer Communications Limited being its immediate parent undertaking.

The share holding in PCC International Germany GmbH and Paragon Customer Communications Spain S.L.were transferred to associated companies in wider Paragon Group.

18. Stocks

| | 2021 £000 | 2020 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 1,232 | 1,372 |
| Work in progress (goods to be sold) | 311 | 317 |
| Finished goods and goods for resale | 206 | 315 |
| | 1,749 | 2,004 |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

19. Debtors

| | 2021 £000 | 2020 £000 |
|-------------------------------------|--------------|--------------|
| Due after more than one year | | |
| Amounts owed by group undertakings | 13,806 | - |
| Prepayments and accrued income | - | 234 |
| Deferred tax asset | 6,725 | 5,487 |
| | 20,531 | 5,721 |
| | 2021 £000 | 2020 £000 |
| Due within one year | | |
| Trade debtors | 1,082 | 9,570 |
| Amounts owed by group undertakings | 13,238 | 23,599 |
| Other debtors | 1,790 | 1,760 |
| Prepayments and accrued income | 13,490 | 5,028 |
| | 29,600 | 39,957 |
| | 2021 £000 | 2020 £000 |

20. Cash and cash equivalents

| | 2021 £000 | 2020 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 320 | 8,837 |
| | 320 | 8,837 |
| | 2021 £000 | 2020 £000 |

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 approximate their fair value. Included are restricted cash balances arising from the Company factoring facility of £91,000 (2020: £1,593,000).

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

21. Creditors: Amounts falling due within one year

| | 2021 | 2020 |
|---|---------------|---------------|
| | £000 | £000 |
| Trade creditors | 7,712 | 9,638 |
| Amounts owed to group undertakings | 16,656 | 10,393 |
| Other taxation and social security | 8,923 | 9,005 |
| Obligations under finance lease and hire purchase contracts | 436 | 197 |
| Accruals and deferred income | 16,231 | 11,320 |
| | <u>49,958</u> | <u>40,553</u> |

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

| | 2021 | 2020 |
|--|--------------|---------------|
| | £000 | £000 |
| Net obligations under finance leases and hire purchase contracts | 1,572 | 54 |
| Amounts owed to group undertakings | 2,080 | 13,032 |
| Accruals and deferred income | 154 | 251 |
| | <u>3,806</u> | <u>13,337</u> |

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

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2021 | 2020 |
|-------------------------------------|--------------|-------------|
| | £000 | £000 |
| Within one year | 498 | 209 |
| Between 1-5 years | 1,683 | 54 |
| Total gross payments | <u>2,181</u> | <u>263</u> |
| Finance charges | (173) | (12) |
| Carrying amount of liability | <u>2,008</u> | <u>251</u> |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

24. Deferred taxation

| | 2021 £000 | 2020 £000 |
|---------------------------------------|----------------------|----------------------|
| At beginning of year | 5,487 | (1,532) |
| Charged to profit or loss | 1,238 | 197 |
| Charged to other comprehensive income | - | 1,251 |
| Utilised in year | - | 5,571 |
| At end of year | 6,725 | 5,487 |

The deferred tax asset is made up as follows:

| | 2021 £000 | 2020 £000 |
|--------------------------------|----------------------|----------------------|
| Accelerated capital allowances | 2,763 | 2,413 |
| Tax losses carried forward | 3,622 | 2,712 |
| Short term timing differences | 340 | 362 |
| | 6,725 | 5,487 |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

25. Provisions

| | Dilapidations £000 | Onerous lease £000 | Redundancy £000 | Annual compensation payments £000 | Total £000 |
|---------------------------|-----------------------|--------------------------|--------------------|--|---------------|
| At 1 July 2020 | 1,406 | 124 | 266 | 189 | 1,985 |
| Charged to profit or loss | 50 | 1,650 | 109 | - | 1,809 |
| Utilised in year | - | - | - | (21) | (21) |
| At 30 June 2021 | 1,456 | 1,774 | 375 | 168 | 3,773 |

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

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

The redundancy provision relates to the rationalisation of trading activities and is expected to be released over six years.

The Annual compensation payments provision represents amounts due to former employees of RR Donnelley Print & Media Services Limited, which have been calculated in accordance with the terms of their employment contract at that time based on their expected remaining lives. The remaining provision is expected to be released over the shorter of their remaining lives or 24 years from the balance sheet date.

26. Share capital

| | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid | | |
| 10,000,000 (2020 - 40,000,000) Ordinary shares of £1.00 each | 10,000 | 40,000 |

During the year, the company reduced its issued share capital from £40,000,000 to £10,000,000 by cancelling and extinguishing 30,000,000 of the issued ordinary shares of £1 each in the company.

27. Pension commitments

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable to the schemes and amounted to £1,240,000 (18 months period ended 30 June 2020 - £2,788,000).

At the end of the year, £257,000 (30 June 2020 - £152,000) was owed to the defined contribution pension scheme providers.

PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

28. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2021 | 2020 |
|--|--------------|--------------|
| | £000 | £000 |
| Not later than 1 year | 1,843 | 1,857 |
| Later than 1 year and not later than 5 years | 3,178 | 2,293 |
| Later than 5 years | 29 | - |
| | 5,050 | 4,150 |

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

The company had no other off balance sheet arrangements.

29. Prior year adjustment

The profit and loss account was restated in order to re-align with Paragon Group income statement reporting given that prior year was based on the company's legacy chart of accounts. The costs reclassified from cost of sales to administrative expenses totaling £48,793,000 mainly relate to rent, technology, repairs/maintenance, consultancy and indirect payroll.

| | 2020 as previously stated | Restatement | Restated 2020 accounts |
|---|--|--------------------|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Profit and loss account | | | |
| Turnover | 214,914 | - | 214,914 |
| Cost of sales | (197,862) | 48,793 | (149,069) |
| Gross profit | 17,052 | 48,793 | 65,845 |
| Distribution costs | (686) | - | (686) |
| Administrative expenses | (29,061) | (48,793) | (77,854) |
| Other operating income | 314 | - | 314 |
| Operating loss | (12,381) | - | (12,381) |
| Income from other fixed asset investments | 9,568 | - | 9,568 |
| Interest receivable and similar income | 231 | - | 231 |
| Interest payable and similar expenses | (790) | - | (790) |
| Loss before tax | (3,372) | - | (3,372) |
| Tax on loss | 680 | - | 680 |
| Loss for the financial year | (2,692) | - | (2,692) |

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

30. Related party transactions

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

31. Controlling party

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

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

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

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| PARAGON CUSTOMER COMMUNICATIONS INTERNATIONAL LIMITED |
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

32. Underlying operating loss and EBITDA

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|------------------------------------|---------------------------------------|--|
| Underlying operating loss | | |
| Operating loss | (11,644) | (12,381) |
| Add back: | - | - |
| Redundancy costs | 2,343 | 1,580 |
| Reorganisation costs (exceptional) | 6,660 | 960 |
| Underlying operating loss | (2,641) | (9,841) |

| | Year ended 30 June 2021 £000 | 18 months period ended 30 June 2020 £000 |
|------------------------------------|---------------------------------------|--|
| Underlying EBITDA | | |
| Operating loss | (11,644) | (12,381) |
| Add back: | - | - |
| Redundancy costs | 2,343 | 1,580 |
| Reorganisation costs (exceptional) | 6,660 | 960 |
| Impairment of investments | - | 2,408 |
| Depreciation of tangible assets | 2,351 | 4,391 |
| Amortisation of goodwill | 2,097 | 3,145 |
| Amortisation of development costs | 795 | 1,845 |
| Underlying EBITDA | 2,602 | 1,948 |