

Paragon Customer Communications Limited

Annual Report and Financial Statements
for the year ended
30 June 2023

Company Number 07262428

THURSDAY



ACZT1TKH

A27

28/03/2024

#7

COMPANIES HOUSE

Paragon Customer Communications Limited

Company Information

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	07262428
Registered office	Lower Ground Floor Park House 16/18 Finsbury Circus London EC2M 7EB
Independent auditors	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 30 Finsbury Square London EC2A 1AG
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN

Paragon Customer Communications Limited**Strategic Report (continued)
for the year ended 30 June 2023**

Contents	Page(s)
Strategic Report	2 – 9
Directors' Report	10 – 13
Independent auditor's report to the members of Paragon Customer Communications Limited	
	14 – 17
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21 – 22
Notes to the Consolidated Financial Statements	23 – 75
Company Statement of Financial Position	77
Company Statement of Changes in Equity	78
Notes to the Parent Company Financial Statements	79 – 98

Paragon Customer Communications Limited

Highlights of the year

Group Revenue
£561.8m

Underlying EBITDA**
£54.5m

Operating Loss
£19.5m

Underlying
EBIT
£20.1m**

Cash Generated
from Operations*
£13.6m

*See Consolidated statement of cash flow

**See note 12

Paragon Customer Communications Limited

Strategic Report for the year ended 30 June 2023

Introduction

The directors present their strategic report for Paragon Customer Communications Limited for the year ended 30 June 2023.

First time adoption of IFRS and FRS 101

The Group has applied UK-adopted International Accounting Standards ("IFRS") for the first time for the year ended 30 June 2023. The date of initial application is 1 July 2021. The Company has adopted Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) for the first time for the year ended 30 June 2023, with an initial application date of 1 July 2021. The implementation of IFRS and FRS 101 has not had an impact on cash flow and strategic development decisions. The impact of the transition is shown in Note 34 of the financial statements.

Review of the business

Despite the prevailing harsh economic conditions, the Group's turnover increased to £561.8m (2022: £495.6m) translating to a growth rate of 13.4%. The improvement in turnover has been driven mainly by our continued customer organic growth as there were no significant acquisitions by the Group during the year under review. However, the operations of Image Factory, a division of Service Graphics Limited (a subsidiary of the wider Paragon Group), were hived across into the Group on 01 October 2022. See page 8 for more details regarding the overview of the numbers.

Our increased focus on organic growth, and releasing the synergies identified during the acquisition of WLCCM, Lettershop Group, DG3 Leycol, and Reason, have successfully delivered our revenue and profit targets for the year. This also enabled us to make the majority of the exceptional changes that were required during that period, helping us head into the year with a stable foundation for the delivery of our ambitious targets. We have seen encouraging growth in our newer business lines, Workplace Solutions and DCX, as well as impressive growth in our more established business lines, Lead Supply, Customer Communications and Print Solutions. Recognising the significant opportunity in the BPO and fulfilment solutions sectors, we have created a plan for investment and growth in these business lines.

Our analysis shows that those clients for whom we deliver solutions, from more than two business lines, spend more with us and commit to us on a longer-term basis. This analysis shows that our diversification and innovation across the business will bring success in the long term. For example, clients that engage with four of our business lines have an average revenue per business line of seven times that of a client who engages with just one. They invest their trust in us, so therefore tend to work in partnership to consolidate all their spend across their business and gain the value we can offer across a far wider base.

Also, the business continued to be vigilant against cyber threats as there has been a continuous investment in existing infrastructure and its expansion and modernisation. In order to give us a technologically sustainable backbone for all delivery processes, we have commenced various IT projects (i.e. Project Gateway and Project OnePlatform), which will support us to focus on standardised service offerings, scalable resources and regulatory compliant services for our customers.

Project Gateway drives the transfer, modernisation and transformation of IT infrastructure (servers, storage, network components, end user compute, to our long-term partner Atos. The project was set up to:

- meet and exceed latest information security, IT security and data protection standards to protect our customers and us from IT and cyber risks
- refresh a significant proportion of our IT infrastructure with state of the art technology
- access sufficient and highly qualified specialists to fulfil our customers' requirements more quickly with a professionally operated infrastructure
- consolidate local data centres into a central Twin Core Data Centre, using state-of-art hardware components and extending the useful life of components, which is in line with our sustainability goals.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

Project Gateway has started in the beginning of 2023. So far, the service desk for Paragon employees has been taken over by Atos. As a result, we have already achieved a significant improvement in troubleshooting. In the area of information security, multi-factor authentication, the public key infrastructure (PKI) for encryption and a new secure mail gateway (SMG) were implemented.

Our USP in the Document Output Business is the four-site concept, which is our capability to produce mail pieces as close to the end recipient as possible. Before the start of OnePlatform this four-site concept was based on fragmented systems for layout, data input, workflow and reporting. This fact made all processes expensive and hard to maintain.

With OnePlatform we are now able to process all incoming data on a single platform by using a healthy mixture of standard software and products that have been self-developed to fit the needs of our customers. The architecture makes it easy to load balance between sites to cope with peaks and enhance business continuity. Other advantages include that other sites will be easy to connect and an integration of our Inbound business will grant a clear 360 degree view on all customers, making OnePlatform an added value for each customer – no matter how large their volume is.

The business continued with the process of rationalising the legal structure of the Paragon Customer Communications UK operations, with the goal being to consolidate the legal structure of the trading businesses in the UK into PCC London Ltd. During the year the trading activities, assets and liabilities of DG3 Group (Holdings) Ltd, WL CCM Limited and With Reason Ltd were hived into the PCC London structure of the business.

Strategy and future developments

Working as an extension of our clients' businesses, we embrace integrity, security and high standards to deliver effective and engaging communication experiences which integrate seamlessly with existing business operations. We provide cost efficient solutions to make it easy for our customers to send the right message, via the right channel, at the right time.

We continually 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. Paragon continues to invest in a platform that allows us to integrate communication across all relevant channels, both now and in the future. We develop 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 communication 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.

The Group is already on a strong growth trajectory which means that the focus can now be on the creation and implementation of a long-term strategy. We will therefore focus on growth, governance and efficiency, enabling us to implement the long-term change need to double our size over the next three years, by achieving success in all of our four bottom lines of people, planet, partners and prosperity (PPPP). Each of these bottom lines is underpinned by ambitious targets and accurate governance and measurement. Our strategy embraces the entrepreneurial flare and energy of our people and gives them a structured framework to deliver growth with purpose.

Non-financial and sustainability statement

The company has taken advantage of the exemption not to disclose non-financial and sustainability statement in its group accounts as these details are already included in the wider PCC Global Plc accounts.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

Section 172 statement

The Companies Act 2006 (CA2006) sets out a number of general duties which directors owe to the company. This legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the company, while having regard to the matters set out in section 172(1)(a) to (f) of the CA2006 (s172 factors).

In 2023, 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 and are consistent with the size and complexity of the Group. 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 and across the Paragon Customer Communications group of businesses are summarised below.

	People	Customers	Suppliers
Key Facts	3,700+ employees in the UK, Ireland and Luxembourg	Mainly UK based with significant clients within Europe and the US	Diversified supplier base from small contractors to FTSE100 groups
Why we engage	Our people are at the core of our business. We aim to build a trusting, respectful and inclusive culture so every individual feels highly engaged and can be their best. We want our people to feel their human rights are respected and they are treated with dignity. We are committed to creating opportunities for growth and to a continuous learning culture.	Our customers are experts in the products they buy and sell, as well as in the experiences they create and deliver. We work with a wide range of customers: big and small, on-trade and off, digital and e-commerce. Our passion is to ensure we nurture mutually beneficial relationships that deliver joint value and the best outcome for all our consumers	Our suppliers and agencies are experts in the wide range of goods and services we require to create and market our brands. By working with them, we not only deliver high-quality products marketed responsibly, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact and making positive contributions to society.
How we engage	<ul style="list-style-type: none"> – Prioritisation of health, safety and wellbeing – Investment in learning opportunities for employee growth and development – The promotion of inclusion and diversity 	<ul style="list-style-type: none"> – A portfolio of leading brands that meets evolving consumer preferences – Identification of opportunities that offer profitable growth – Insights into consumer behaviour and trends – Trusted product quality 	<ul style="list-style-type: none"> – Developing strong, mutually beneficial partnerships – Collaborating to realise innovation – Fair contract and payment terms – Consistent performance measurement – Joint risk assessment and mitigation

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

How our directors consider stakeholders in decision making:

People – The directors recognise the importance of effective engagement with Paragon’s employees and wider workforce, including contractors and temporary staff. The directors engage directly with local management and other employees during site and trade visits. It is our aim to build a trusting, respectful and inclusive culture so every individual feels highly engaged and can be their best. We want our people to feel their human rights are respected and they are treated with dignity. We are committed to creating opportunities for growth and to a continuous learning culture. We prioritise the health, safety and wellbeing of our people and promotion of inclusion and diversity. During the financial year, we have continued to invest in learning and development across the whole business. We have expanded our Apprenticeship programmes and have implemented group wide development initiatives.

Customers – The directors engage with customers, primarily through the Chief Executive, who provides information about key customers in his regular report to the Board. Understanding the importance to customers of maintaining a broad portfolio with consumer offerings at a variety of price points and categories, the Board regularly reviews both innovation and inorganic opportunities to enhance its portfolio. The Board receives regular reports from management based on market trends and customer feedback. The Board encourages the businesses to maintain multiple channels and methods of communication with customers to promote a meaningful and honest dialogue. The Board also tracks customers’ satisfaction.

The Board is responsible for approving material business transactions and key strategic changes, as part of which customers’ interests are at the fore. The Board is mindful of the fact that counterparties to commercial and corporate transactions may pursue strategies and outcomes which may conflict with interests of the customers. The Board considers if, and how, these divergent interests can be reconciled. We work with a wide range of customers: big and small, on-trade and off, digital and e-Commerce to identify opportunities that offer profitable growth for our customers. Our passion is to ensure we nurture mutually beneficial relationships that deliver joint value and the best outcome for all our consumers.

Suppliers – The performance of Paragon’s suppliers is integral to its success. We have a diversified supplier base from small contractors to FTSE100 groups and they play a critical role in the success of our businesses. We aim to build mutually beneficial long-term relationships with our suppliers.

The Executive Directors, together with the members of the management team, engage collaboratively with suppliers to discuss matters of mutual interest, including any risks which may need to be addressed. The Board is given updates from management, as appropriate, regarding the business’s relationships with suppliers, including with respect to any material risks, performance issues or potential future changes. As part of the Paragon’s standard engagement process, suppliers are required to accept the Supplier Guidelines, which act as an acknowledgement that they meet certain minimum ethical and legal standards approved by the Board, including in relation to modern slavery, anti-bribery and anti-money laundering. Our suppliers and agencies are experts in the wide range of goods and services we require to create and market our brands. By working with them closely, we not only deliver high-quality products marketed responsibly, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact, and making positive contributions to society.

The Board is committed to ensuring there is no slavery, servitude, forced or compulsory labour or human trafficking in our supply chains or within any part of our operations and we enforce effective systems and controls to minimise the risk

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

Principal Risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

- Consumer preferences and desires* – An element of the market in which the business operates is driven by the Direct Marketing industry, this is subject to annual cycles as well as pressures from the long term change to move to digital marketing by the current and potential clients. To address the risks presented by the changes in the Direct Mail market the business is continuing to invest in new technologies. The business also operates in the Transactional Print market, to remain competitive in this market the business is investing in technology which further develops the digital print offering and differentiates the business from its competitors. The acquisition of With Reason Ltd & The Lettershop Ltd in the prior year brought a number of significant new service lines to the group, the broadening of service lines spread the risks associated to consumer preferences and desires by moving into business services such as inbound document processing and facility management and related services in business customer locations.
- Production Risk* – The business runs very high levels of quality and service level agreement ('SLA') performance. Quality risk is managed via the use of Lean and 6 Sigma programmes by well trained and competent staff. SLA risk is managed by a planned production environment and well maintained production resources. As part of the post-acquisition synergy activities the group has invested in advanced print and finishing equipment to reduce the risks related to production activities.
- Business improvement risk* – There are a number of systems on which the business is highly dependent on. The business continues to invest in these systems to ensure they remain effective and are able to support the changes in the market in which the business operates.
- Competition risk* – Continuing uncertainty in the UK and global economy particularly in relation to marketing expenditure continues to impact the group. The group's exposure is mitigated by having a customers' base from a wide spread of sectors and industries and by providing a broad range of services and product offerings with value added, emerging e-solutions and customised output. Furthermore, a significant proportion of the group's work is contractual, transactional and regulatory in nature. In addition, the group has a track record of successful customer retention through proactive customer relationship management and ensuring customer requirements are met. The group's acquisition strategy continues to allow us to develop customers in new market sectors with long and strong relationships, often contracted for a significant period.
- Talent management* – To maintain the high levels of quality and service employee retention is key. The business manages the risks of attrition by maintaining good communications with staff, by training and developing the employees and incentivising excellent performance through various initiatives.
- IT, Cyber attacks and systems failure risk* – The risk of failure to prevent impacts from the denial of service, cyber espionage and related theft/disclosure of confidential/customer data leading to reputational, regulatory and financial impacts are being mitigated by regular reviews of our cyber security and website security protocols. Business continuity plans have also been implemented across Paragon, including disaster recovery programmes, and plans to minimise business disruption.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

- *Pandemic risk* – The risk of future long-term pandemic related lockdowns affecting multiple major markets appears to be subsiding. However, the group still recognises the risks related to global outbreak of a public health threat or fear of such an event which could result in increased government restrictions and regulations including the shutdown of trade, restrictions to travel, and quarantining of our employees which in turn may affect demand negatively or causing a slowdown or halting our business operations due to supply or logistic constraints and thus adversely impact our financial performance. The directors do not consider, at the date of signing of the financial statements, there to be a threat to the overall business in the case of outbreak-related closures and lockdowns as global crisis management programme are in place to enhance our capability to reach effectively and minimise damage and disruption to our business operations. There are multi-channel product availability enabling clients to meet the needs for digital interaction to replace physical interactions. There are established links to government bodies enabling dialogue regarding industry response and regulation. Also, the decentralised decision-making process enables re-prioritisation and resource re-deployment where required.
- *Inflationary risk* - the Group's primary exposure to inflation is on staff costs, the costs of materials used in production, particularly paper, and energy costs. The directors believe however that the effect of inflation is limited, as in many cases, increased costs can be passed on to clients as allowed in contracts, and operationally the Group continues to rationalise its operational footprint to reduce overhead costs and seeks to gain efficiency improvements.

Paragon Customer Communications Limited

Strategic Report (continued) for the year ended 30 June 2023

Overview of the numbers

The underlying EBITDA for the year is £54.5m (2022: £55.0m).

The results for the group, show a loss before taxation of £29.3m (2022: £7.1m profit) and group turnover of £561.8m (2022: £495.6m). The directors have not proposed or paid a dividend in the current financial year (2022 - £Nil). The gross margin decreased from 39.3% to 35.5% in the year due to a number of factors; the inclusion of £9.9m of additional costs related to the non-underlying expenditure during the year relate to redundancy and related charges, industrial relocation, restructuring and sites consolidation as well as a reduced level of fulfilment work.

The balance sheet as at 30th June 2023 included the following significant movements against the prior year; Right of Use assets increased from £38.0m to £47.6m as a result of the extension of the property lease in Dagenham less £2.2m impairment on vacated premises. Trade and other receivables increased from £61.6m to £74.8m mainly due to the increase in sales resulting from revenue growth, cash and cash equivalents reduced from £45.7m to £24.0m as the EBITDA was impacted by the high level of expenditure on the re-structuring of the business. Total lease liabilities increased from £36.6m to £45.9m due to the extension of the Dagenham lease. The increase in the Long term loan from the parent undertakings was an increase in funding mainly due to the continuing accumulation of interest on the borrowings. The movement of £27.1m in retained earnings reflects the trading performance in the year which was impacted by the restructuring activity in the year.

There is a reduction in cash flow generated from operations to £13.6m (2022: £34.4m) which is mainly due to the increased level of non-underlying costs in the year amounting to £39.5m (2022: £9.4m). The non-underlying expenditure during the year relate to redundancy and related charges, industrial relocation, restructuring and sites consolidation. The Group continues to focus on good working capital management.

Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. KPIs measure past performance and provide information to manage the business. Turnover, operating profit and operating cash flow indicate the volume of work, its profitability and the efficiency with which we have turned operating profits into cash. KPIs for the year are shown in the table below, along with prior year comparatives.

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Change %
Group turnover	561,832	495,601	13.4%
Group turnover per employee	144	138	4.5%
Number of employees (average)	3,894	3,566	9.2%
Gross profit	199,266	194,581	2.4%
Gross margin	35.5%	39.3%	(3.8%)
Group operating (loss)/profit	(19,478)	9,882	(297.1%)
Underlying EBITDA	54,527	55,012	(0.9%)
Operating cash flow	13,575	37,518	(63.8%)

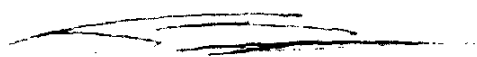
The Group has adopted an accounting policy that seeks to highlight significant items of income and expense within the Group results for the year. The Directors believe that this presentation provides a more useful analysis, especially in light of its very acquisitive strategic spend. APM's are used to enable a comparison of performance between years once these non-underlying items have been taken into account.

Paragon Customer Communications Limited

Environmental matters

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with ISO 14001 and is FSC accredited. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

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



J E C Walters
Director

Date: 27/3/2024

Paragon Customer Communications Limited

Directors' Report for the year ended 30 June 2023

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2023.

Principal activity

Paragon Customer Communications Limited ("Paragon") through its subsidiaries, ("the group"), provides direct communications services to businesses across a wide range of sectors to assist them to optimise their clients' communication channels and contents through the managing and processing of data, printing and distribution which includes the distribution of information via the Internet.

Results and dividends

The results are discussed in the strategic report. The directors do not recommend the payment of a dividend (2022: £Nil).

Post-balance sheet event

On 28th December, 2023, certain trade and assets of Communisis UK Limited, the share capital of Editions Publishing Limited, Communisis Data Intelligence Limited were acquired by Paragon Customer Communications (London) Limited. At this point, the impact of ongoing trading performance is yet to be completely ascertained, see note 33 for more details.

Directors

The directors who served during the period were:

P J Crean

L T Salmon

J E C Walters

Political contributions

The group made no political donations (2022 - £nil).

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters that affect them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Research and development activities

The directors regard the investment in research and development as integral to the continuing success of the business and ensuring that it remains at the forefront of the industry.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to other employees.

Paragon Customer Communications Limited

Directors' Report (continued) for the year ended 30 June 2023

Streamlined Energy and Carbon Reporting

The company has taken advantage of the exemption not to disclose energy and carbon information in its group accounts as these details are already included in the wider PCC Global Plc accounts.

Non-financial and sustainability information statement

The company has taken advantage of the exemption not to disclose this in its accounts.

Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its parent company (PCC Global Plc - "The PCC Global Group"). The PCC Global Group have performed an assessment of going concern, including a review of the PCC Global Group's current cash position, available banking facilities and financial forecasts for 2024 and until the end of March 2025, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current micro economy, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Four scenarios were considered for the PCC Global Group in preparing our going concern assessment, being a management case showing 2024 and the first quarter of 2025 in line with expectations and three other downside scenarios, and using one scenario which is severe but plausible assumptions to the management base case. The management case which is built up from detailed projections for each of the PCC Global Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2024 and into the first quarter of 2025;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes such as reducing repairs and maintenance costs; The downside case included further reductions of 10%, 15% and 21% in turnover across the four divisions for 2024 and into the first quarter of 2025 to reflect a scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of next year. Those projections showed that the PCC Global Group will continue to operate viably over that period.
- Additional measures are available to management such as reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by PCC Global Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- And, should any of the downside cases occur, management are confident that positive action could be taken to mitigate this position, and prevent any breach of covenants, such as: implementation of cost savings, restructuring and cash management.

Outcome of assessment

Overall the PCC Global Group has remained profitable at the underlying EBITDA level, for the first seven months of the 2024 financial year. While the PCC Global Group is behind budget post year end due to operational reasons, management have taken positive action to ensure the PCC Global Group is on track to meet its covenants. The Directors are confident that the PCC Global Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, mitigating actions available to management and existing liquidity.

Paragon Customer Communications Limited

Directors' Report (continued) for the year ended 30 June 2023

Having received written support from PCC Global Plc, the Directors are of the view that there is a reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements, and there are no material uncertainties that the Directors are aware of in relation to this.

Directors' qualifying third party indemnity provisions

Paragon Customer Communications Limited maintains liability insurance for its directors. For the purposes of the Companies Act 2006, Paragon Customer Communications Limited provides indemnity insurance for its directors and company secretary for qualifying third party provisions. This insurance was in place for the year ended 30 June 2023 and remains in place at the date of signing of these financial statements.

Matters covered in Strategic Report

A review of the business, details of future developments and principal risks and uncertainties are included in the Strategic Report.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of price, credit, liquidity, interest rate, foreign currency and capital risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of risk and the related finance costs.

Credit risk

The group 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.

Price risk

The group is exposed to commodity price risk on paper as a result of its operations. However, given the size of the group's operations, the costs of continually managing exposure to commodity price risk exceeds any significant potential benefits. The risk is mitigated due to the on-going centralisation of the group procurement team and also certain inputs being rechargeable directly to clients. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance through asset finance and intercompany funding. These measures are designed to ensure the group has sufficient funds for operations and planned expansions.

Interest rate risk

The group has interest bearing assets and liabilities. All external liabilities include a variable element within their interest rate. All intercompany liabilities carry a fixed interest rate.

Foreign currency risk

The majority of the group's customers and suppliers are in the United Kingdom. The foreign currency exposure arising from this small proportion of foreign currency customers and suppliers is deemed low risk by the directors and is managed through a natural hedge. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Paragon Customer Communications Limited

Directors' Report (continued) for the year ended 30 June 2023

Capital risk

The group manages its capital risk to safeguard its ability to continue as a going concern and maintain an optimal capital structure to minimise the cost of capital. This is done through changes made to the underlying debt structures within the group and, where appropriate, issuing shares or selling assets to reduce debt.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS101 "Reduced Disclosure Framework".

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 Group and Company and of the profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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



J E C Walters
Director

Date: 27/3/2024

Paragon Customer Communications Limited

Independent auditor's report to the members of
Paragon Customer Communications Limited (continued)

Independent auditor's report to the members of Paragon Customer Communications Limited

Opinion

We have audited the financial statements of Paragon Customer Communications Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Paragon Customer Communications Limited

Independent auditor's report to the members of
Paragon Customer Communications Limited **(continued)**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Limited

Independent auditor's report to the members of
Paragon Customer Communications Limited **(continued)**

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out in page 12, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- Through discussions with management, we obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company. We determined that the most significant frameworks that are directly relevant to the specific assertions in the financial statements are those related to the financial reporting framework, being UK-adopted International Accounting Standards (for the group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company) and the Companies Act 2006;
- We obtained an understanding of how the group and the parent company are complying with those legal and regulatory frameworks by making inquiries with management and the board of directors. We corroborated inquiries through our review of board minutes;
- We enquired of management and the board of directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries through review of board minutes;
- We assessed the susceptibility of the group's and parent company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Inquiring of management, the finance team, legal counsel, and the Board about the risks of fraud at the group and parent company level, and the controls implemented to address those risks.
 - Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
 - Testing journal entries with focus on those journal entries identified by the audit teams as posing a higher risk of material misstatement, based on an assessment of quantitative and qualitative risk factors;
 - Performing specific procedures in response to the risks and significant accounting estimates.

Paragon Customer Communications Limited

Independent auditor's report to the members of
Paragon Customer Communications Limited (continued)

- 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;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the group's and company's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions;
 - the group's and company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the group's and company's compliance with regulatory requirements.

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

Use of our report

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

Grant Thornton

Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 27/3/2024

Paragon Customer Communications Limited

Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

		30 June 2023	30 June 2022
	Note	£'000	£'000
Revenue from sale of goods and services	5	561,832	495,601
Cost of sales		(362,566)	(301,020)
Gross profit		199,266	194,581
Administrative expenses		(219,044)	(184,865)
Other operating income	6	300	166
(Loss)/profit on ordinary activities before interest and tax	7	(19,478)	9,882
Share of equity accounted investments		307	399
Finance cost	10	(10,079)	(3,262)
Finance income	11	-	130
(Loss)/profit before tax		(29,250)	7,149
Income tax credit/(charge)	13	2,095	(1,563)
(Loss)/profit for the year		(27,155)	5,586
Exchange differences on translation of foreign operations		(85)	(157)
Other comprehensive expense for the year		(85)	(157)
Total comprehensive (loss)/profit for the year		(27,240)	5,429
 Underlying EBITDA	 12	 54,527	 55,012

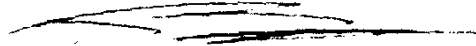
The notes on pages 23 to 75 form part of these financial statements. The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Paragon Customer Communications Limited

Consolidated Statement of Financial Position as at 30 June 2023

	Note	30 June 2023	30 June 2022	01 July 2021
Assets				
Non-current assets				
Goodwill	14	30,893	28,844	20,433
Intangible assets	15	48,345	55,670	40,352
Property, plant and equipment	16	16,450	20,636	15,655
Right of use assets	23	47,456	37,995	36,278
Unquoted equity investments	17	531	524	733
Deferred tax assets	24	6,346	4,529	4,946
		<u>150,021</u>	<u>148,198</u>	<u>118,397</u>
Current assets				
Inventories	18	9,282	11,364	7,261
Trade and other receivables	19	74,835	61,594	53,370
Cash and cash equivalents	20	24,025	45,698	37,428
		<u>108,142</u>	<u>118,656</u>	<u>98,059</u>
Total assets		<u>258,163</u>	<u>266,854</u>	<u>216,456</u>
Current liabilities				
Trade and other payables	21	(127,089)	(125,083)	(106,641)
Lease liabilities	23	(11,332)	(15,480)	(8,120)
Provisions	25	(2,984)	(1,631)	-
		<u>(141,405)</u>	<u>(142,194)</u>	<u>(114,761)</u>
Net current liabilities		<u>(33,263)</u>	<u>(23,538)</u>	<u>(16,702)</u>
Total assets less current liabilities		<u>116,758</u>	<u>124,660</u>	<u>101,695</u>
Non-current liabilities				
Trade and other payables	21	(254)	(1,762)	(9,251)
Lease liabilities	23	(34,592)	(21,143)	(27,040)
Provisions	25	(6,219)	(5,016)	(7,320)
Long term loan from parent undertakings	22	(60,167)	(53,973)	(20,747)
		<u>(101,232)</u>	<u>(81,894)</u>	<u>(64,358)</u>
Total liabilities		<u>(242,637)</u>	<u>(224,088)</u>	<u>(179,119)</u>
Net assets		<u>15,526</u>	<u>42,766</u>	<u>37,337</u>
Equity				
Share capital	29	51,000	51,000	51,000
Share premium	29	30,901	30,901	30,901
Merger relief reserve	30	14,021	14,021	14,021
Capital contribution reserve	30	1,557	1,557	1,557
Cumulative translation reserve	30	(375)	(290)	(133)
Retained earnings	30	(81,578)	(54,423)	(60,009)
		<u>15,526</u>	<u>42,766</u>	<u>37,337</u>

The financial statements on pages 18 to 75 were approved and authorised for issue by the board and were signed on its behalf on 27/3/2024


J E C Walters
Director

The notes on pages 23 to 75 form part of these financial statements.

Paragon Customer Communications Limited

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Cumulative Translation Reserve £'000	Retained earnings £'000	Total Equity £'000
At 1 July 2021	51,000	30,901	1,557	14,021	(133)	(60,009)	37,337
Profit for the year	-	-	-	-	-	5,586	5,586
Other comprehensive loss for the year	-	-	-	-	(157)	-	(157)
At 30 June 2022	51,000	30,901	1,557	14,021	(290)	(54,423)	42,766
Loss for the year	-	-	-	-	-	(27,155)	(27,155)
Other comprehensive loss for the year	-	-	-	-	(85)	-	(85)
At 30 June 2023	51,000	30,901	1,557	14,021	(375)	(81,578)	15,526

The notes on pages 23 to 75 form part of these financial statements

Paragon Customer Communications Limited

Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Notes	2023 £'000	2022 £'000
(Loss)/profit for the year		(27,155)	5,586
Adjustment for:			
Depreciation of property, plant and equipment		4,715	7,141
Amortisation of right-of-use assets		15,335	11,829
Amortisation of intangible assets		14,402	16,806
Impairment of right-of-use assets		2,163	-
Gain on disposal of operations		(1,058)	(2,340)
Share of equity accounted investments		(307)	(399)
Finance cost		10,079	3,262
Finance income		-	(130)
Income tax (credit)/charge		(2,095)	1,563
Loss/(gain) on disposal of assets		3,409	(72)
Operating cash inflows before movements in working capital		19,488	43,246
Decrease/(increase) in inventories		1,736	(1,469)
(increase)/decrease in receivables		(13,255)	8,057
Increase/(decrease) in payables		3,670	(11,643)
Increase/(decrease) in provisions		1,936	(673)
Cash generated from operations		13,575	37,518
Interest paid		(7,103)	(3,135)
Net cash generated by operating activities		6,472	34,383
Cash flows from investing activities			
Payments for intangible assets		(8,026)	(7,873)
Payments for right-of-use assets		(3,950)	-
Payments for property, plant and equipment		(3,610)	(5,395)
Acquisition of subsidiaries, net of cash acquired		(77)	(10,692)
Proceeds from property, plant and equipment		623	277
Dividends received from joint venture	17	300	600
Net cash used in investing activities		(14,740)	(23,083)
Cash flows from financial activities			
Repayments of borrowings from immediate parent undertaking		(2,180)	-
Proceeds from long term loan from immediate parent undertaking		-	8,920
Repayments of capital elements of lease liabilities		(11,225)	(11,950)
Net cash decrease generated by financing activities		(13,405)	(3,030)
Net (decrease)/increase in cash and cash equivalents		(21,673)	8,270
Cash and cash equivalents at 1 July		45,698	37,428
Cash and cash equivalents at 30 June	20	24,025	45,698

Paragon Customer Communications Limited

Consolidated Statement of Cash Flows for the year ended 30 June 2023 (continued)

Supplementary information – analysis of net debt

	01 July 2022 £'000	Cash flow £'000	Acquired £'000	Non-cash changes £'000	30 June 2023 £'000
Cash and cash equivalents	45,698	(21,673)	-	-	24,025
Cash and cash equivalents	45,698	(21,673)	-	-	24,025
Lease liabilities	(36,623)	15,112	(286)	(24,127)	(45,924)
Long term loan due to related parties	(53,973)	2,180	-	(8,374)	(60,167)
	(44,898)	(4,381)	(286)	(32,501)	(82,066)

	01 July 2021 £'000	Cash flow £'000	Acquired £'000	Non-cash changes £'000	30 June 2022 £'000
Cash and cash equivalents	37,428	5,804	2,466	-	45,698
Cash and cash equivalents	37,428	5,804	2,466	-	45,698
Lease liabilities	(35,160)	13,321	(7,179)	(7,605)	(36,623)
Long term loan due to related parties	(20,747)	(8,920)	-	(24,306)	(53,973)
	(18,479)	10,205	(4,713)	(31,911)	(44,898)

During the year, the non-cash movement in the long term loan includes £3,100,000 acquisition cost of the freehold land and building transacted through the intercompany account, £2,365,000 accrued interest and the novation of loan balances originally between Paragon Customer Communications Limited and other Inter-group counterparties to a loan relationship between Paragon Customer Communications Limited and PCC Global Plc (its parent undertaking). Non-cash right of-use lease movements of £24,413,000 include asset additions, discounting and remeasurement and are itemised in further detail in note 23.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023

1. General information

Paragon Customer Communications Limited ("the Company") is a company, limited by shares, incorporated in England & 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 directors' report.

2. Adoption of new and revised Standards

Transition to International Financial Reporting Standards ("IFRS")

For the period ended 30 June 2023, the Directors made the decision to transition from FRS102 *The Financial Reporting Standards applicable in the UK and Republic of Ireland* ("FRS 102") to UK-adopted International Accounting Standards ("IFRS"). The date of transition was 01 July 2021. As such, the Group's financial statements have been prepared in accordance with IFRS. The impact of the transition to IFRS on the financial statements of the Group is further discussed and explained in Note 35.

The consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards.

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 30 June 2023:

- Amendments to IAS 16: Property, Plant and Equipment (PPE) – Proceeds before Intended Use
- Amendments to IFRS 3 Business Combinations – Conceptual Framework
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets and Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 7, and IFRS 16 – Interest rate benchmark reform – Phase 2 (effective 1 January 2021)
- Amendments to IFRS 16, 'Leases' – Covid 19 related rent concessions Extension of the practical expedient (effective 1 April 2021)
- Annual Improvements 2018 - 2020

The adoption of the above standards, policies, interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

The following standard amendment was issued for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted:

Amendments to IAS 1 Classification of Liabilities as Current and Non-current and Disclosure of Accounting Policies. The amendment was adopted effective 1 January 2024.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

The financial information contained in the financial statements and in the notes is rounded to the nearest £'000.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3. Accounting Policies

3.1 Going Concern

The Directors have performed an assessment of going concern, including receiving written support provided from its parent company (PCC Global Plc - "The PCC Global Group"). The PCC Global Group have performed an assessment of going concern, including a review of the Group's current cash position, available banking facilities and financial forecasts for 2024 and until the end of March 2025, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current micro economy, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Four scenarios were considered for the PCC Global Group in preparing our going concern assessment, being a management case showing 2024 and the first quarter of 2025 in line with expectations and three other downside scenarios, and using one scenario which is severe but plausible assumptions to the management base case. The management case which is built up from detailed projections for each of the PCC Global Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2024 and into first quarter of 2025;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes such as reducing repairs and maintenance costs; The downside case included further reductions of 10%, 15% and 21% in turnover across the four divisions for the remainder of 2024 and into the first quarter of 2025 to reflect a scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of next year. Those projections showed that the PCC Global Group will continue to operate viably over that period.
- Additional measures are available to management such as reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by PCC Global Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- And, should any of the downside cases occur, management are confident that positive action could be taken to mitigate this position, and prevent any breach of covenants, such as: implementation of cost savings, restructuring and cash management.

Outcome of assessment

Overall the PCC Global Group has remained profitable at the underlying EBITDA level, for the first seven months of the 2024 financial year. While the PCC Global Group is behind budget post year end due to operational reasons, management have taken positive action to ensure the PCC Global Group is on track to meet its covenants. The Directors are confident that the PCC Global Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, mitigating actions available to management and existing liquidity.

Having received written support from PCC Global Plc, the Directors are of the view that there is a reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements, and there are no material uncertainties that the Directors are aware of in relation to this.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 30 June 2023. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investments with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method is used to account for the acquisition of subsidiaries and Group reorganisations. Under the purchase method the cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred in exchange for the subsidiary.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at fair value at the acquisition date. All acquisition costs are expensed immediately.

Intercompany transactions and balances between Group entities are eliminated on consolidation. Where necessary, the accounting policies applied by subsidiaries have been changed to ensure consistency with the accounting policies applied by the Group.

3.3 Investment in trade investments, joint ventures and associates

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more others ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements joint ventures are accounted for using the equity method.

Associates are entities in which the Group has significant influence arising from its power to participate in the financial and operating policy decisions of the investee. Associates are recognised using the equity method from the date on which significant influence is obtained until the date on which significant influence is lost.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.4 Revenue

Revenue represents amounts receivable for goods and services net of value added tax and trade discounts.

Revenue is measured at the transaction price that is allocated to the relevant performance obligations, net of trade discounts, VAT and other sales-related taxes.

A performance obligation is a promise in a contract with a customer to transfer to the customer either goods or services.

Revenue is recognised over time when a performance obligation is satisfied by the customer simultaneously receiving and consuming the benefits over the period of the contract.

When a payment is received in advance of a performance obligation being satisfied, it is recorded on the statement of financial position as deferred income. Revenue is then recognised at the point in time or over the period that the performance obligation is satisfied any of the following:

Revenue from goods and services recognised from contracts with customers are included in seven business lines which are summarised as follows:

- Business Process Outsourcing revenues include multi-channel inbound, back office and voting solutions.
- Customer Communications revenues include outbound marketing, regulatory and transactional communications.
- Consulting and Agency revenues include creative services, campaign management, digital transformation, data analytics and automation.
- Lead Supply revenues include end to end management of marketing promotional materials.
- Print Solutions revenues include stationery, forms, labels, envelopes and security products.
- Supply Chain Management revenues include warehousing, fulfilment, co-packing and logistics.
- Workplace Solutions revenues include onsite creative and presentation services, mailroom, production, concierge and recruitment (placement and contractors).

In all cases, the performance obligation is generally defined at the level of each good and is not bundled.

Revenue is recognised over time on the basis that the customer simultaneously receives and consumers the benefits provided by our performance over the period of the contract for the following business lines:

- Business Process Outsourcing
- Customer communications (regulatory and transactional communications)
- Consulting and Agency
- Supply Chain Management
- Workplace Solutions except placement and rental income

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

For the majority of customer contracts recognised over-time, the group has elected to use the practical expedient in IFRS 15 B16 to recognise revenue as they have a right to consideration in an amount that corresponds directly with the value to the customer of the group's performance completed to date.

Revenue is recognised at point in time for all other business lines such as Customer Communications (marketing), Lead Supply, Print Solutions and Workplace Solutions placement. Revenue is recognised when control of the asset is transferred which occurs either on delivery or despatch depending on the terms of each specific customer arrangements..

No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Revenue is recognised when control of the asset is transferred which occurs either on delivery or despatch depending on the terms of each specific customer arrangements.

Customers are not offered a contract with significant funding components. There are no warranties in place.

3.5 Government grants

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

3.6 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition.

Both fair value and provisional fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out in 3.9 below.

Other intangible assets – development expenditure

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Consolidated income statement as incurred. Capitalised development costs are amortised on a straight line basis over their estimated useful economic lives, which vary between three and five years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Other intangible assets – computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Statement of Financial Position at cost less amortisation. These assets are amortised on a straight line basis over their estimated useful lives, which is generally two to three years.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally 2 – 15 years.

Other intangible assets – trade names

Costs relating to the use of trade names are recorded at fair value at the date of acquisition and fully amortised over their estimated useful lives which is generally 2 – 5 years.

3.7 Property, plant and equipment

Property, plant and equipment 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Freehold land and building is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line basis.

The estimated useful lives range as follows:

Leasehold property improvements -	shorter of the remaining lease period or 10 years
Plant and machinery	- 4 - 7 years
Fixtures, fittings & equipment	- 3 - 5 years
Computer equipment	- 2 - 3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Revaluation

Land and buildings are currently stated at cost less any subsequent accumulated depreciation and impairment losses. Revaluations will be carried out regularly by independent valuers, so that the carrying amount of the Group's property portfolio does not differ materially from its fair value at the balance sheet date.

Revalued assets are depreciated in the same way as noted above. If a revaluation results in an increase in value, it will be credited to other comprehensive income and accumulated in equity under the heading "revaluation reserve" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it will be recognised in profit or loss. A decrease arising as a result of a revaluation will be recognised as an expense to the extent that it

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss.

No revaluation has been carried out yet as Management are comfortable that the value of the properties have not materially moved in the last 12 months. In accordance with the larger Group's policy, there is a plan in place for an external review of the properties at the end of financial year 2024.

3.8 Impairment

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

An impairment charge is recognised in the Consolidated Income Statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

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

A reversal of an impairment loss is recognised as income immediately in the Consolidated Income Statement.

3.9 Inventories

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

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.10 Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 26 for further details.

Credit risk arising in the context of the Group's operations is not significant with the total bad debt provision at the Consolidated Statement of Financial Position date amounting to 2% of gross trade receivables (2022: 11%). Customer credit risk is managed centrally according to established policies, procedures and controls. Customer credit quality is assessed in line with strict credit rating criteria and credit limits established where appropriate.

Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short term investments with an original maturity of three months or less.

Factoring arrangements

The group is party to a debt factoring arrangement which enables it to accelerate cash flows associated with trade receivables, where advances received are without recourse. Where receivable balances have been sold and the risk and rewards have been transferred to the factors, the undrawn amount is held within the receivable balance and is due from the debt factorers.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Other financial liabilities including amounts owed to group undertakings are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

Financial assets held at amortised cost

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

3.11 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets or for a duration of twelve months or less.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred; and the amount of any dilapidations provisions recognised where the Group is contractually required to dismantle, remove or restore the leased asset. Right-of-use assets are disclosed under three separate categories in the financial statements. These include land and buildings, plant and machinery and other (made up of fixtures & fittings and software).

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless, as is typically the case, this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expenses in the period to which they relate.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate of index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.12 Business combinations

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

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

All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employees Benefits respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations are measured in accordance with that standard.
- ROU asset and liabilities are measured in accordance with that standard.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.13 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in GBP, which is the parent company's functional currency.

Foreign currencies

Transactions in foreign currencies other than GBP are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Consolidated Statement of Financial Position date are translated into GBP at the exchange rate ruling at that date.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GBP at exchange rates ruling at the date the fair value was determined. Exchange differences arising on translation of non-monetary assets and liabilities are recognised in Other Comprehensive Income and recorded within cumulative translation reserves.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into GBP at the rates prevailing at the Consolidated Statement of Financial Position date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising on retranslation of non-monetary assets and liabilities are recognised directly within cumulative translation reserves. Exchange differences arising on non-monetary assets and liabilities that are fair valued are recognised in accordance with the gain or loss on fair value.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Paragon Customer Communications Limited consolidated financial statements are presented in GBP, which is the parent company's functional currency and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency, which is determined on the primary economic environment. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

3.14 Finance costs

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

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.15 Non-statutory measures

The Group has adopted an accounting policy that seeks to highlight significant items of income and expense within the Group results for the year. The Directors believe that this presentation provides a more useful analysis, especially in light of its very acquisitive strategic spend. APM's are used to enable a comparison of performance between years once these non-underlying items have been taken into account.

Such items may include significant restructuring and integration costs, profits or losses on disposal or termination of operations or significant contracts, litigation costs and settlements, profits or loss on disposal of investments, significant impairment of assets and acquisition related profits or losses and subsidiary acquisition costs.

Non-statutory measures are defined below while the breakdown for the year can be found in Note 12 below.

- EBITDA is earnings before, interest, tax, depreciation and amortisation. It also includes all restructuring and non-underlying items and any gains/(losses) arising on or from acquisitions (including gains on bargain purchases).
- Underlying EBIT and EBITDA is stated after adjusting for items which in the opinion of the Directors are non-underlying due to their nature, size or incidence. Whilst costs/gains of this nature can reoccur they have been highlighted to provide a better understanding of the underlying performance of this trading group.

Net debt includes cash and cash equivalents less related party loans and lease liabilities.

3.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

3.17 Finance income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.18 Provision for liabilities

Provisions are made where an event has taken place that gives the Group 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 Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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

Dilapidations are the provisions recorded for the costs of returning properties held under lease to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease.

3.19 Current and deferred taxation

The tax expense in the Consolidated income statement comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3.19 Current and deferred taxation (continued)

The carrying amount of deferred tax assets is reviewed at each Consolidated Statement of Financial Position date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the Consolidated Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

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

Critical accounting judgements

In the course of applying the Group's accounting policies the following judgements have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Cash generating units

A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Because the CGU definition is based on cash flows, the division process should focus on an entity source of revenue and how assets are utilised in generating revenues.

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from the business combination.

Management makes decisions around revenues on a regional basis. The aim is to negotiate deals on a regional basis with invoices sold across each region and therefore the cash flows are interdependent on each other. The only one CGU recognised by the Group is PCC UK.

For the purpose of impairment testing, goodwill is allocated to PCC UK's cash generating unit that is expected to benefit from the synergies of the combinations.

As the group evolves the appropriateness of the CGUs is monitored and when necessary, updated.

Non-underlying item presentation

IAS 1 'Presentation of Financial Statements' requires material items to be disclosed separately in a way that enables the users to assess the quality of a company's profitability. In practice, these are commonly referred to as 'non-underlying' items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in headline profit. We consider items which are non-recurring and/or significant in size or in nature to be suitable for separate presentation. Please see note 8 to the financial statements for further details in relation to non-underlying items.

Many of the Group's leases have options to renew or terminate. The Group applies judgement in evaluating the length of the lease. Management consider all relevant factors and, in particular, if an economic incentive exists to renew or terminate. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The Group periodically assesses this, or more frequently if circumstances change.

Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. The following areas of estimation could have an effect on the results of the Group were they subsequently found to be inaccurate.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Please see note 24 to the financial statements for further details.

Paragon Customer Communications Limited

5. Analysis of turnover

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

	2023 £'000	2022 £'000
Customer communications	288,528	256,133
Lead supply	137,888	105,909
Workplace solutions	52,772	48,846
Print solutions	17,080	15,794
Supply chain management	5,363	-
Consulting and agency	28,028	31,184
Inbound processing of client communications	32,051	37,684
Other	122	51
	<u>561,832</u>	<u>495,601</u>

Timing of recognition

	2023 £'000	2022 £'000
Goods and services transferred over time	378,817	303,204
Goods and services recognised at a point in time	183,015	192,397
	<u>561,832</u>	<u>495,601</u>

Analysis of turnover by country of destination

	2023 £'000	2022 £'000
United Kingdom	510,671	455,263
Rest of Europe	30,825	30,953
Rest of the world	20,336	9,385
	<u>561,832</u>	<u>495,601</u>

6. Other operating income

Other income of £300,000 relates to the commission received when the group acted as an intermediary for purchase of computer equipment for a third party.

No government assistance relating to the wages and salaries costs of employees furloughed under the Coronavirus Job Retention Scheme was received during the financial year (2022 - £166,000). Grants received in 2022 were recognised in accordance with IAS 20.

Paragon Customer Communications Limited

7. Operating profit/(loss)

The operating profit/(loss) after charging/(crediting):

	2023 £'000	2022 £'000
Amortisation of other intangibles (note 15)	14,402	16,806
Depreciation of property, plant and equipment (note 16)	4,715	7,141
Amortisation of right-of-use assets (note 23)	15,335	11,829
Impairment of right-of-use assets	2,163	-
Amortisation of government grant	(62)	(55)
Profit on disposal of operations	(1,058)	(2,340)
Fees payable to the Group's auditors and their associates for		
- The audit of the company's financial statements	221	60
- The audit of the Group's subsidiaries pursuant to legislation	597	547
Foreign exchange loss	393	135
Defined contribution pension cost (note 8)	4,868	4,192
Inventory recognised as an expense	<u>126,624</u>	<u>111,666</u>

8. Employees

Staff costs were as follows:

Group

	2023 £'000	2022 £'000
Wages and salaries	158,880	137,440
Social security costs	15,373	13,809
Cost of defined contribution scheme	4,868	4,192
Redundancy	<u>8,735</u>	<u>2,402</u>
	<u>187,856</u>	<u>157,843</u>

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

	2023 No	2022 No
Administration and sales	1,250	1,017
Operations	<u>2,645</u>	<u>2,733</u>
	<u>3,894</u>	<u>3,750</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

9. Directors' remuneration

During the year, the total emoluments of £553,234 (2022 – £633,672) was received by one of the directors, who is the highest paid, for his services as a director from the Group. The other directors were remunerated by other group companies and no recharges were made. It is not possible to apportion the proportion of these directors' work that was performed for the Group. The details of the director's remuneration is stated below:

	2023	2022
Salary/allowance	159,580	278,040
Bonus	388,654	355,632
Employer's pension contribution	5,000	-
	<u>553,234</u>	<u>633,672</u>

The aggregate value of company contributions paid, or treated as paid, to a defined contribution pension scheme in respect of directors' qualifying services was £5,000.

10. Finance cost

	2023 £'000	2022 £'000
Lease interest	2,176	1,371
Factoring interest	640	543
Discount charges	3,646	945
Other interest charges	614	1
Loans from group undertakings	2,344	402
Net exchange loss on foreign currency borrowings	659	-
	<u>10,079</u>	<u>3,262</u>

11. Finance income

	2023 £'000	2022 £'000
Net exchange gain on foreign currency borrowings	<u>-</u>	<u>130</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

12. Non-underlying items

	2023	2022
	£'000	£'000
Redundancy and related charges (a)	22,581	8,677
Cost of industrial relocation, restructuring and consolidation (b)	13,034	3,017
Impairment of Right-of-use assets	2,163	-
Impairment of loans due from group undertakings	2,833	-
Profit on disposal of operations	(1,058)	(2,340)
Non-underlying net expense	<u>39,553</u>	<u>9,354</u>

- a) Redundancy and related charges include redundancy, payroll and related charges that arise from the closure of locations and salary costs for the respective individuals from the start of the financial year at various locations in the UK. Also included are costs associated with redundant roles from the point of acquisition and restructuring programme takes place including those costs which are associated with the delivery of customer contracts during this transition or integration period. Such costs are considered to be non-underlying on the basis that, following the restructuring decision taken, although customer contracts will be delivered from other sites in future periods therefore the related revenues are considered to be underlying, the salary costs relating to certain individuals will not recur due to efficiencies generated from the consolidation of operations.
- b) Costs of industrial relocation, restructuring and consideration includes the charges arising from the closure of locations, relocation of activities between sites in the UK.

Underlying EBITDA

	30 June	30 June
	2023	2022
	£'000	£'000
(loss)/profit on ordinary activities before interest and tax	(19,478)	9,882
Add back:		
Redundancy and related charges	22,581	8,677
Cost of industrial relocation, restructuring and consolidation	13,034	3,017
Impairment of loans due from group undertakings	2,833	-
Depreciation of tangible assets	4,715	7,141
Amortisation of intangibles	14,402	16,806
Amortisation of right-of-use assets	15,335	11,829
Impairment of right-of-use assets	2,163	-
Profit on disposal of operation	(1,058)	(2,340)
Underlying EBITDA	<u>54,527</u>	<u>55,012</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

Underlying EBIT	30 June 2023 £'000	30 June 2022 £'000
(loss)/profit on ordinary activities before interest and tax	(19,478)	9,882
Add back:		
Redundancy and related charges	22,581	8,677
Cost of industrial relocation, restructuring and consolidation	13,034	3,017
Impairment of Right-of-use assets	2,163	-
Impairment of loans due from group undertakings	2,833	-
Profit on disposal of operation	(1,058)	(2,340)
Underlying EBIT	<u>20,075</u>	<u>19,236</u>
13. Income tax	2023 £'000	2022 £'000
Corporation income tax		
Current period	-	52
Group relief payable	103	164
Adjustments in respect of previous periods	(108)	-
	(5)	216
Deferred tax		
Origination and reversal of temporary differences	(1,761)	109
Effect of changes in tax rates	-	692
Adjustment in respect of prior periods	(329)	546
	<u>(2,090)</u>	<u>1,347</u>
Taxation on (loss)/profit	<u>(2,095)</u>	<u>1,563</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13. Income tax (continued)

Factors affecting tax (credit)/charge for the period

The tax assessed for the year is higher (2022: lower) than the standard rate of corporation tax in the UK of 20.50% (2022 - 19.00%). The differences are explained below:

	2023 £'000	2022 £'000
(Loss)/profit before tax	(29,250)	7,149
Profit/loss multiplied by standard rate of corporation tax in the UK of 20.5% (2022 - 19.00%)	(5,996)	1,374
Effects of		
Fixed assets differences	2,135	437
Expenses not deductible for tax	629	-
Movement in deferred tax not recognised	1,715	1,299
Remeasurement of deferred tax for changes in tax rates	(374)	692
Group relief utilised at less than the standard rate	224	(2,788)
Research & Development expenditure	9	3
Adjustment relating to previous periods	(437)	546
Total tax debit/(credit) for the financial year	(2,095)	1,563

Factors that may affect future tax charges

OECD Pillar 2 On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. Paragon Customer Communications Limited sub-group currently falls below the prescribed thresholds, the sub-group falls into scope of Pillar 2 tax rules because of total revenue generated within the wider PCC Global Group.

The Finance Act 2020 included legislation to maintain the main rate of UK corporation tax at 19%,. 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 was effective from 1 April 2023. Temporary differences have been remeasured using these budget tax rates that are expected to apply when the liability is settled, or the asset realised.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

14. Goodwill and impairment review of non-current assets

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes.

	2023
	£'000
Cost and carrying amount of goodwill	
At 1 July 2021	20,433
Acquisitions (note 29)	8,411
At 30 June 2022 (28,844
Acquisitions (note 29)	2,049
Impairments	-
At 30 June 2023	30,893

The goodwill is allocated to a single CGU, this comprises of the company and all of its subsidiaries.

	Post-tax discount rates	Long term growth rate
PCC UK Group	12.8% (2022: 11.5%)	2.5% (2022: 2.5%)

Goodwill acquired through business combinations has been allocated to one CGU for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of a CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The Group reviews the carrying value of the CGU at least annually or more frequently if there is an indication that the CGU may be impaired.

The recoverable amount of the CGU is based on a value in use computation, which has been calculated over a five year period. The cash flow forecasts employed for this computation are extracted from budgets and specifically excludes future acquisition activities. Cash flows for a further period are based on the assumptions underlying the budgets. The weighted average long growth rate used in the impairment are noted above.

A present value of the future cash flows is calculated using a post-tax discount rate representing the Group's estimated before tax weighted average cost of capital, adjusted to reflect risks associated with the CGU. The post-tax discount rates used are presented above.

Key assumptions include management's estimates on sales growth and discount rates. Cash flow forecasts and key assumptions are generally determined based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business. The prior year assumptions were prepared on the same basis.

Applying these techniques, no impairment charge arose in 2023 (2022: ENil)

Management believes that any reasonable change in any of the key assumptions for the PCC CGU would not cause the carrying value of the goodwill to exceed its fair value.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

15. Intangible assets

	Software £'000	Trade Names £'000	Development expenditure £'000	Customer relationships £'000	Total £'000
Financial year end June 2022					
Opening net book value	6,689	-	490	33,173	40,352
Additions	7,257	18,500	615	-	26,372
On acquisition of subsidiary	1,767	60	-	3,979	5,806
Disposals	(30)	-	(24)	-	(54)
Amortisation	(3,749)	(4,625)	(454)	(7,978)	(16,806)
Net carrying value at 30 June 2022	11,934	13,935	627	29,174	55,670
As 30 June 2022					
Cost or deemed cost	23,368	18,560	709	53,396	96,033
Accumulated amortisation	(11,434)	(4,625)	(82)	(24,222)	(40,363)
Net book amount	11,934	13,935	627	29,174	55,670
Financial year end June 2023					
Opening net book value	11,934	13,935	627	29,174	55,670
Additions	7,324	-	702	-	8,026
Reclassification to property, plant and equipment	44	-	-	-	44
Disposals	(561)	-	(432)	-	(993)
Amortisation	(5,181)	(4,625)	(262)	(4,334)	(14,402)
Net carrying value at 30 June 2023	13,560	9,310	635	24,840	48,345
As 30 June 2023					
Cost or deemed cost	29,776	18,560	835	53,396	102,567
Accumulated amortisation	(16,216)	(9,250)	(200)	(28,556)	(54,222)
Net book amount	13,560	9,310	635	24,840	48,345

£9,250,000 of the closing Trade Names NBV relates to brand licence and the remaining amortisation period for this asset is 2 years while £20,768,000 of customer relationships NBV relates to the acquisition of former RRD Group with eleven and a half years amortisation period left.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

16. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Financial year end 30 June 2022				
Opening net book value	2,994	7,702	4,959	15,655
Additions	933	8,216	324	9,473
On acquisition of subsidiary	191	2,408	231	2,830
Disposals	(48)	(133)	-	(181)
Depreciation	(998)	(4,649)	(1,494)	(7,141)
Net carrying value at 30 June 2022	3,072	13,544	4,020	20,636
As 30 June 2022				
Cost or deemed cost	9,743	19,142	5,145	34,030
Accumulated depreciation	(6,671)	(5,598)	(1,125)	(13,394)
Net carrying value at 30 June 2022	3,072	13,544	4,020	20,636
Financial year end 30 June 2023				
Opening net book value	3,072	13,544	4,020	20,636
Additions	6,142	475	93	6,710
On acquisition of subsidiary	-	633	70	703
Reclassification	(6)	(2,465)	(20)	(2,491)
Disposals	(400)	(3,887)	(106)	(4,393)
Depreciation	(1,057)	(2,689)	(969)	(4,715)
Net carrying value at 30 June 2023	7,751	5,611	3,088	16,450
As 30 June 2023				
Cost or deemed cost	13,214	8,110	4,294	25,618
Accumulated depreciation	(5,463)	(2,499)	(1,206)	(9,168)
Net carrying value at 30 June 2023	7,751	5,611	3,088	16,450

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

17. Financial investments

	Investment in associates £'000	Investment in joint ventures £'000	Total £'000
Cost			
At 1 July 2022	19	505	524
Share of profits	-	326	326
Disposal	(19)	-	(19)
Dividends in the period	-	(300)	(300)
At 30 June 2023	-	531	531

Joint ventures

dsi Billing Services Limited Evolution House, Choats Road, Dagenham, Essex RM9 6BF	England & Wales	Ordinary	50%	Personalisation and sorting services
--	--------------------	----------	-----	--

Associates

The associate, Response Handling Centre Limited, was dissolved on 2nd May 2023.

Summarised financial information for the group's investment in joint ventures and associates which are accounted for using the equity method is as follows:

	Non-current assets £'000	Current assets £'000	Current liabilities £,000	Total £,000
As at 30 June 2023				
Joint Ventures	-	2,648	(1,586)	1,062
At 30 June 2023	-	2,648	(1,586)	1,062

	Non-current assets £'000	Current assets £'000	Current liabilities £,000	Total £,000
As at 30 June 2022				
Joint Ventures	3	2,838	(1,830)	1,011
Associates	1	54	(5)	50
At 30 June 2022	4	2,892	(1,835)	1,061

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

18. Inventories

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Raw materials and consumables		7,298	9,130	4,448
Work in progress		1,984	2,234	2,813
		<u>9,282</u>	<u>11,364</u>	<u>7,261</u>

There was no write-down of inventories in either period.

19. Trade and other receivables

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Amount receivable for the sale of goods and services		20,045	10,603	6,252
Allowance for doubtful debts		(373)	(1,218)	(272)
Trade receivable		<u>19,672</u>	<u>9,385</u>	<u>5,980</u>
Amounts owed by group undertakings		12,134	14,705	10,776
Amounts owed by joint ventures		611	613	496
Other receivables		5,482	4,147	4,721
Prepayments		13,934	9,247	8,898
Accrued income		<u>23,002</u>	<u>23,497</u>	<u>22,499</u>
		<u>74,835</u>	<u>61,594</u>	<u>53,370</u>

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

Accrued income consists of contract assets which are balances due from customers under long term contracts as work is performed and therefore contract assets are recognised over the period in which the performance obligation is fulfilled. This represents the group's right to consideration for the services performed to date. Amounts are generally reclassified to trade receivables when they have been certified or invoiced to a customer and invoices are generally raised in arrears in line with the contractual arrangements with customers.

The group has implemented an expected credit loss impairment model in respect to contract assets using the simplified approach. The expected credit loss on contract assets within accrued income are considered to be immaterial.

Amounts owed by group undertakings, joint ventures and associates are unsecured, repayable on demand and non-interest bearing.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

19. Trade and other receivables (continued)

Financial assets

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Trade receivable		19,672	9,385	5,980
Amounts owed by group undertakings		12,134	14,705	10,776
Amounts owed by joint ventures		611	613	496
Other receivables		5,482	4,147	4,721
Accrued income		23,002	23,497	22,499
Cash and cash equivalents	20	24,025	45,698	37,428
		<u>84,926</u>	<u>98,045</u>	<u>81,900</u>

20. Cash and cash equivalents

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Cash and cash equivalents		24,025	45,698	37,428

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amounts of short term deposits assets approximate their fair value at year end was £nil (2022: £Nil). Included in cash and cash equivalents are restricted cash balances arising from the Group factoring facility of £3,940,000 (2022: £2,869,000).

21. Trade and other payables

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Trade payable		69,962	43,850	35,005
Deferred consideration		262	262	262
Amounts owed to group undertakings		7,022	10,209	14,785
Taxation and social security		6,319	13,661	22,093
Other creditors		168	2,491	1,828
Accruals		39,251	51,511	38,568
Deferred income		4,359	4,861	3,351
		<u>127,343</u>	<u>126,845</u>	<u>115,892</u>
Current		127,089	125,083	106,641
Non-current		254	1,762	9,251
		<u>127,343</u>	<u>126,845</u>	<u>115,892</u>

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

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

21. Trade and other payables (continued)

Financial liabilities

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Trade payable		69,962	43,850	35,005
Deferred consideration		262	262	262
Amounts owed to group undertakings		7,022	10,209	14,785
Lease liabilities		45,924	36,623	35,160
Accruals		39,251	51,511	38,568
Other creditors		168	2,491	1,828
Long term loan	22	60,167	53,973	20,747
		<u>222,756</u>	<u>198,919</u>	<u>146,355</u>

22. Long term loan

	Note	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Long term loan		<u>60,167</u>	<u>53,973</u>	<u>20,747</u>

The long term loan is the loan obtained from the immediate parent company, PCC Global Plc. Interest is charged at 4.14% with a repayment date of 30 September 2025.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

23. Leases

The Consolidated Statement of Financial Position includes the following amounts relating to leases:

Right-of-use assets

	ROU Land & Buildings £'000	ROU Plant & Machinery £'000	ROU Other £'000	Total £'000
Financial year ended 30 June 2022				
Opening Net book value	23,781	11,084	1,413	36,278
Additions	7,379	473	198	8,050
Acquisitions	1,612	4,987	580	7,179
Disposals	(1,569)	-	(114)	(1,683)
Reclassification	-	33	(33)	-
Amortisation	(6,129)	(4,926)	(774)	(11,829)
At 30 June 2022	25,074	11,651	1,270	37,995
At 30 June 2022				
Cost or deemed cost	30,937	20,782	1,930	53,649
Accumulated amortisation	(5,863)	(9,131)	(660)	(15,654)
Net book amount	25,074	11,651	1,270	37,995
Financial year ended 30 June 2023				
Opening Net book value	25,074	11,651	1,270	37,995
Additions	4,390	5,837	4,096	14,323
Impairment	(2,163)	-	-	(2,163)
Acquisitions	160	124	2	286
Disposals	(903)	(1,052)	(70)	(2,025)
Modification to lease terms	14,375	-	-	14,375
Amortisation	(7,621)	(6,987)	(727)	(15,335)
At 30 June 2023	33,312	9,573	4,571	47,456
At 30 June 2023				
Cost or deemed cost	44,444	24,308	5,920	74,672
Accumulated amortisation	(11,132)	(14,735)	(1,349)	(27,216)
Net book amount	33,312	9,573	4,571	47,456

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

23. Leases (continued)

Lease liabilities

	Land and Buildings £'000	Other £'000	Total £'000
Cost:			
At 1 July 2021	21,926	13,234	35,160
Additions	7,379	661	8,040
Acquisitions	1,612	5,567	7,179
Disposals	(1,444)	(115)	(1,559)
Interest	698	426	1,124
Repayments	(6,970)	(6,351)	(13,321)
At 30 June 2022	23,201	13,422	36,623
Current	8,572	6,908	15,480
Non-current	14,629	6,514	21,143
At 30 June 2022	23,201	13,422	36,623
Cost:			
At 1 July 2022	23,201	13,422	36,623
Additions	4,390	5,514	9,904
Acquisitions	160	126	286
Disposals	(944)	(1,170)	(2,114)
Interest	1,703	473	2,176
Modification to lease terms	14,153	-	14,153
Repayments	(8,204)	(6,908)	(15,112)
Total effect from foreign exchange	8	-	8
At 30 June 2023	34,467	11,457	45,924
Current	7,097	4,235	11,332
Non-current	27,370	7,222	34,592
At 30 June 2023	34,467	11,457	45,924

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

23. Leases (continued)

Amounts recognised in the Consolidated Income statement

The consolidated income statements includes the following amount relating to leases:

	2023 £'000	2022 £'000
Amortisation charges:		
Right-of-use assets	15,335	11,829
Finance costs:		
Right-of-use assets	2,176	1,124
Operating expenses:		
Expenses relating to short-term leases	4	4
Expenses relating to lease of low value assets	100	39
Expenses relating to variable lease payments not included with lease liabilities	-	-
Operating income:		
Sublease rental income	-	-
Lease charges	-	-

As at 30 June 2023, the maturity of the Group's undiscounted cash flows on IFRS 16 leases were as follows:

	Land and Buildings £'000	Other £'000	Total £'000
Not later than one year	7,056	4,872	11,928
After one year but not more than five years	21,066	6,724	27,790
After five years	14,427	5	14,432
Total undiscounted cash flows	42,549	11,601	54,150

As at 30 June 2022, the maturity of the Group's undiscounted cash flows on IFRS 16 leases were as follows:

	Land and Buildings £'000	Other £'000	Total £'000
Not later than one year	8,647	7,861	16,508
After one year but not more than five years	21,678	9,128	30,806
After five years	2,979	-	2,979
Total undiscounted cash flows	33,304	16,989	50,293

The Group enters into leases for a range of assets, principally relating to property and machinery. Property leases consist of production sites and office buildings and have varying terms, renewal rights and escalation clauses, including periodic rent reviews. Leases of machinery include those used for production of finished goods.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

23. Leases (continued)

Extension and termination options

Extension and termination options are included in a number of property leases throughout the sites. They are used to maximise operational flexibility in terms of managing the assets used in the company's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated).

In determining whether a renewal or termination option will be taken, the following factors are normally the most relevant:

- The future intended use of the leased asset and future developments;
- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate);
- Strategic importance of the asset to the Group;
- Past practice; and
- Costs and business disruption to replace the asset

The lease term is reassessed if an option is exercised (or not exercised) and this decision has not already been reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

The Group's weighted average incremental borrowing rate for all leases, which the company adopted, has been calculated by country and ranges from 2.5% to 6.5%. As a practical expedient, a lessee may apply it with a reasonably similar characteristics; leases have been grouped according to location, type and lease length.

The practical expedient has been employed such that leases where the contractual term ends within twelve months of the date of initial application have been accounted for as short-term leases.

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

Operating lease commitments consisted of the total future minimum lease payments of £6,000 (2022: £19,000) for short term leases and £39,000 (2022: £139,000) for low value leases which were not accounted for under IFRS 16 Leases.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

24. Deferred taxation

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
At 1 July	4,529	4,946	2,055
Credited/(charged) to the profit or loss	2,090	(1,347)	2,751
Disposals	(273)	(40)	-
Acquisitions	-	970	140
At 30 June	6,346	4,529	4,946

The deferred tax asset is made up as follows:

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Property, plant and equipment	4,436	6,077	6,095
Tax losses carried forward	7,623	4,530	3,639
Provisions	322	785	449
Other deductible temporary differences	46	-	-
Intangible assets	(6,081)	(6,863)	(5,237)
At 30 June	6,346	4,529	4,946

The Group has UK tax losses of £53,097,000 (2022: £34,272,000) that are available indefinitely for offset against future taxable profits and £5,440,000 (2022: £4,643,000) of tax losses arising in overseas territories that are available to carry forward indefinitely and tax losses of £Nil (2022: £Nil) which are due to expire within five years.

Deferred tax assets are recognized to the extent that it is probable (or "more likely than not") that sufficient taxable profits will be available to utilize the carry forward of unused tax losses. The Group have £5,599,000 (2022: £3,323,000) at the tax rate, worth of deferred tax losses not recognised in the UK, and £1,360,000 (2022: £1,161,000) at the tax rate, worth of deferred tax losses not recognised in overseas territories. The Group have recognised deferred tax asset on losses of £30,699,000 (2022: £20,979,000) in the UK only, overseas territories £Nil (2022: £Nil).

In recognising the deferred tax asset, management have reviewed the forecast for each of the subsidiaries in respect of which a deferred tax asset has been recognised and are satisfied that sufficient taxable profits are forecast and available to utilise the asset. In making this assessment, management note that historic losses are reflective of acquisition and restructuring activity, including the hive-up of operations. Further the duration of customer relationships and current trading performance support the recognition of the asset. Forecasts used in making this assessment are consistent with those used for other areas of estimation within these financial statements.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

25. Provision for liabilities

	Dilapidations £'000	Restructuring £'000	Annual Compensation Payments £'000	Total £'000
Balance at 01 July 2021	5,639	1,512	169	7,320
Acquisition	1,035	-	-	1,035
Utilised in the year	(500)	(1,186)	(22)	(1,708)
At 30 June 2022	6,174	326	147	6,647
Current	1,310	306	15	1,631
Non-current	4,864	20	132	5,016
	6,174	326	147	6,647
Balance at 30 June 2022	6,174	326	147	6,647
Charge during the period	620	3,852	-	4,472
Utilised in the year	(1,310)	(591)	(15)	(1,916)
At 30 June 2023	5,484	3,587	132	9,203
Current	882	2,080	22	2,984
Non-current	4,602	1,507	110	6,219
	5,484	3,587	132	9,203

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

The restructuring provision includes redundancy and related charges incurred on the closure or restructuring of Group operations. Restructuring provisions are recognised when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features. The calculation of restructuring provisions requires estimates in some circumstances to be made about the amounts and timing of resulting payments. Current provisions represent the anticipated payments to occur in the next twelve months.

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

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments and financial risk management

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board. The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities including invoice discounting and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process. A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group's main operations is based in the United Kingdom also operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies. The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where necessary, floating to fixed interest rate swaps can be used to fix the interest rate.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk.

The Group has established a credit policy that ensures that sales are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

The Group factors trade receivable balances. The risk of trade receivables passes to the factoring company once the trade receivable invoice is with the factoring company. Factoring is at EURIBOR +0.65% and SONIA +0.65%. This decreases the Group's bad debt risk.

Reporting of financial risks fair values

The carrying value approximates fair value for all financial assets and liabilities in the Consolidated Statement of Financial Position

Fair value hierarchy

The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates.

Contingent deferred consideration

The fair value of deferred consideration is based on the present value of the expected payment, discounted using an appropriate market discount rate at the reporting date.

Deferred consideration

Deferred consideration is initially based on the present value of the expected payment, discounted using an appropriate market discount rate at the reporting date. It is subsequently measured at amortised cost.

Trade and other receivables and payables

Due to their short maturities, trade and other payables, and trade and other receivables have been stated at their book values which approximate to their fair values.

Non derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the appropriate rate of interest at the reporting date.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements

	Due within one year £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total undiscou nted cash flows £'000	Impact of discounti ng and netting £'000	Carrying amount £'000
30 June 2023						
Non derivative financial liabilities						
Lease liabilities	11,928	27,790	14,432	54,150	8,226	45,924
Borrowings from group undertaking	2,467	63,250	-	65,717	5,550	60,167
Trade and other payables	116,411	254	-	116,665	-	116,665
	130,806	91,294	14,432	236,532	13,776	222,756
	Due within one year £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total undiscou nted cash flows £'000	Impact of discounti ng and netting £'000	Carrying amount £'000
30 June 2022						
Non derivative financial liabilities						
Lease liabilities	16,508	30,806	2,979	50,293	13,670	36,623
Borrowings from group undertaking	668	55,477	-	56,145	2,172	53,973
Trade and other payables	106,561	1,762	-	108,223	-	108,223
	123,737	88,045	2,979	214,761	15,842	198,919

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Market risk: Exposure to currency risk

The following significant exchange rates applied during the year

Currency	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
Euro	0.87	0.85	0.86	0.85
US Dollar	0.83	0.76	0.79	0.82
Bulgarian Lev	0.44	0.43	0.44	0.43
Hongkong Dollar	0.10	0.09	0.10	0.10

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2023 and 30 June 2022 would have had the following effect on profit or ordinary activities before tax:

	2023 £'000	2022 £'000
Euro	(6,992)	(6,141)
US Dollar	14	30
Bulgarian Lev	64	(4)
Hongkong Dollar	1	-

Interest rate risk

The Group is not subject to fair value interest rate risk as its debt is only with its immediate parent undertaking and held in Euro

	2023 £'000	2022 £'000
Euro	60,167	53,973

Foreign exchange risk

The Group investments and activities are mainly located within the Eurozone as well as the UK. Cover is arranged through a combination of internal hedging of risks by matching sales and purchases where practical and forward contracts where considered necessary.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Credit risk

Group policies are aimed at ensuring this credit is maintained at adequate levels for the purpose of funding the business operations. Additionally, policies are aimed at minimising losses from credit risk and require that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Exposure to credit risk is also mitigated by the Group invoice factoring facility (without recourse) as it is the financial institution that bears the risks of Global PCC Plc payment. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk. An appropriate level of credit insurance cover has been arranged in the UK to ensure that we have a cost effective means of protection against increased credit risks in the current economic environment.

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date, payment history, current relationship, latest market intelligence and the availability of credit insurance.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Expected credit loss

Overdue trade receivables were reviewed for indication of any credit loss issues to assess the likelihood of expected credit losses. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, such as, current relationship with the customer, industry in which the customer operates, geographical location of customers, historical information on payment patterns, terms of payment and the days past due.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The rates are monitored to ensure they reflect current and forward-looking information on macroeconomic factors. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year.

Overdue trade receivables were reviewed for indication of any credit loss issues to assess the likelihood of expected credit losses. A doubtful receivable provision of £373,000 is in place in respect of trade receivables of £20,045,000. Outstanding customer balances are regularly monitored and reviewed for indicators of impairment to determine where there is a need for a provision (evidence of financial difficulty of the customer, payment default, breach of contract etc.).

Bad debts are written off as uncollectible when there is strong objective evidence that there will be no recoverable element of the debt and all methods of recovery have been exhausted

Loss allowances determined as follows for trade receivables:

		1 to 90 days past due	More than 90 days past due	2023 Total		1 to 90 days past due	More than 90 days past due	2022 Total
	Current £'000	£'000	£'000	£'000	Current £'000	£'000	£'000	£'000
Gross carrying amount	7,461	9,948	2,636	20,045	4,845	4,207	1,551	10,603
Loss allowance	-	-	373	373	-	-	1,218	1,218
ECL %	0%	0%	14%	2%	0%	0%	79%	11%

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

26. Financial instruments (continued)

Movement in the allowance for doubtful debts

	2023 £'000	2022 £'000
Balance at beginning of period	1,218	272
Impairment provisions	-	946
Impairment provisions reversed	(845)	-
Balance at end of period	373	1,218

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operation and ensuring that adequate credit/borrowing facilities are in place.

Capital expenditures and related financing of investments are approved at a Group level. These are funded through a combination of internally generated cash resources and lease financing.

Flexibility is maintained by retaining surplus cash in readily accessible bank accounts. Borrowing facilities are a combination of fixed term loan facilities with 3 to 5 years remaining and other credit facilities with no fixed expiration date. Cash balances and forecasts are controlled at both local and Group level on a daily basis.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in the Consolidated Statement of Cash Flow, cash and cash equivalents, and equity attributable to equity holder of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The above risks are adhered by the Group in the current and the prior financial period.

27. Pension commitments

The group operates a defined contribution pension scheme for its directors and staff. The pension cost in the year was £4,868,000 (2022 - £4,088,000). At the end of the year £484,000 (2022 - £377,000) was owed to the defined contribution scheme providers. This was included in accruals falling due in less than one year.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

28. Acquisitions

Acquisitions during the current period

The trade and assets of Image Factory, a division of Service Graphics Limited, was acquired by Paragon Customer Communications UK Group on 1st October 2022 and combined with the operations of one of its subsidiaries, Paragon Customer Communications (London) Limited. The acquisition of Jimminson Packaging Services Limited and JPS (Nottm) Ltd was also completed on 21st February, 2023. The total cash consideration for all acquisitions during the year was £2,977,000.

	Image Factory	JPS (Nottm) Ltd	Jimminson Packaging Services Limited	Total £,000
Property, plant and equipment	703	-	-	703
Right-of-use assets	286	-	-	286
Stock	232	-	-	232
Other debtors	14	-	-	14
Total assets	1,235	-	-	1,235
Other creditors	(21)	-	-	(21)
Lease liabilities	(286)	-	-	(286)
Net assets	928	-	-	928
Fair value consideration	2,900	67	10	2,977
Goodwill on acquisition	1,972	67	10	2,049
Revenue included in the consolidated income statement	7,278	-	-	7,278
Loss included in the consolidated income statement	(946)	-	-	(946)

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

28. Acquisitions (continued)

Acquisitions during 2021-22 accounting year

On 1st December 2021, Paragon Customer Communications UK Group acquired 100% control of DG3 Group. The acquisition of With Reasons Limited, Williams Lea CCM Limited and Lettershop Group with 100% control were also completed on 26 January, 2022, 1st April, 2022 and 16th June, 2022 respectively. The total cash consideration for all acquisitions during the year was £13,835,000.

	DG3 Group (Holding) Limited £'000	With Reason Limited £'000	Williams Lea CCM Limited £'000	The Lettershop Group £'000	Total £'000
Property, plant and equipment	2,458	40	487	3,439	6,424
Right of use assets	5,214	204	1,577	184	7,179
Technology assets	15	-	1,128	624	1,767
Patent	-	-	-	60	60
Customer relationships	1,282	-	2,697	-	3,979
Deferred tax asset	-	-	1,275	630	1,905
Non-current assets	8,969	244	7,164	4,937	21,314
Stock	328	-	1,030	1,276	2,634
Trade and other receivables	3,703	1,241	6,445	8,217	19,606
Cash and cash equivalents	425	576	788	677	2,466
Current assets	4,456	1,817	8,263	10,170	24,706
Total assets	13,425	2,061	15,427	15,107	46,020
Trade and other payables	5,217	619	12,125	12,275	30,236
Lease liabilities	5,214	204	1,577	184	7,179
Deferred tax liabilities	290	-	645	-	935
Provisions	300	50	685	-	1,035
Total liabilities	11,021	873	15,032	12,459	39,385
Net assets	2,404	1,188	395	2,648	6,635
Fair value consideration	5,983	2,228	4,187	760	13,158
Goodwill on acquisition	3,579	1,040	3,792	-	8,411
Gain on acquisition				(1,888)	(1,849)
Revenue included in the consolidated income statements	12,065	2,640	11,003	363	26,071
Loss included in the consolidated income statements	(2,575)	(455)	(578)	(306)	(3,914)

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

29. Issued share capital

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Alloted, called up and fully paid			
5,095,957,226 – A Ordinary shares of £0.01	50,960	50,960	50,960
2,840,971 – B Ordinary shares of £0.01	28	28	28
1,226,689 – Deferred shares of £0.01 each	12	12	12
	51,000	51,000	51,000

Both 'A' and 'B' ordinary shareholders have the right to appoint 3 directors to the Board respectively. 'A' Ordinary shares rank pari-passu in all other respects. The deferred shareholders are not entitled to receive any dividends or other distribution.

Share Premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

30. Reserves

Merger relief reserve

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Merger relief reserve	<u>14,021</u>	<u>14,021</u>	<u>14,021</u>

Merger relief arose on past business combinations that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Capital contribution reserve

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Capital contribution reserve	<u>1,557</u>	<u>1,557</u>	<u>1,557</u>

This represents funds for share-based payments plans no longer operational.

Cumulative translation reserve

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Cumulative translation reserve	<u>(375)</u>	<u>(290)</u>	<u>(133)</u>

The cumulative translation reserve includes amounts relating to foreign transaction differences arising on the retranslation of reserves.

Retained earnings

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
Retained earnings	<u>(81,578)</u>	<u>(54,423)</u>	<u>(60,009)</u>

This reserve records the cumulative amount of profits and losses less any dividend distributions made.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

31. Related party transactions

Subsidiaries, joint ventures and associates

The Consolidated Financial Statements included the financial statements of the company and its subsidiaries and joint ventures as documented in the accounting policies. The Group's principal subsidiaries and joint ventures are disclosed on 87 – 88 and 46 respectively.

Parent company and other parent group undertakings

	2023 £'000	2022 £'000
Sales	8,373	4,509
Purchases		
Interest expenses	2,344	402
Amount due from parent company and other parent group undertakings	12,134	14,705
Amount owed to parent company and other parent group undertakings	7,022	10,209
Loan owed to parent company and other parent group undertakings	60,167	53,973

Joint ventures

		30 June 2023 £'000	30 June 2022 £'000
dsi Billing Services Limited (50% ownership)	Sales	5,058	4,101
	Purchases	-	(1)
	Management charges	61	61
	Dividend received	300	600
Response Handling Centre Limited	Management charges	-	-

The following balances were owed (to)/by the group as at:

	30 June 2023 £'000	30 June 2022 £'000	01 July 2021 £'000
dsi Billing Services Limited	<u>611</u>	<u>613</u>	<u>496</u>

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

Key management personnel

Key management personnel are assessed as those who have the authority and responsibility for planning, directing and controlling the activities of the Group. In 2022 the roles which were determined as key management personnel were the board. During the year 2023, the Board made the decision to redefine key management personnel to include the group CFO. The aggregate cost of employing all key management personnel in cost of employing was £894,000 (2022: £634,000) – see details below:

	2023	2022
Salary/allowance	337,806	278,040
Bonus	538,194	355,632
Employer's pension contribution	18,410	-
	<u>894,410</u>	<u>633,672</u>

32. Controlling party

The immediate parent undertaking is PCC Global Plc with 100% holdings of the share capital of Paragon Customer Communications Group.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in United Kingdom but PCC Global Plc is the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of PCC Global Plc can be obtained from its registered office, Park House, Lower Ground Floor, 16/18 Finsbury Circus, London, EC2M 7EB.

By virtue of shareholding in Paragon Group Limited, Patrick James Crean is the ultimate controlling party.

33. Post balance sheet events

On 28th December, 2023, certain trade and assets of Communisis UK Limited, the share capital of Editions Publishing Limited, Communisis Data Intelligence Limited were acquired by Paragon Customer Communications (London) Limited. These acquisitions extend the product offering to current Paragon Customer Communications clients and bring new clients to Paragon Customer Communications. The Turnover of Editions Publishing Limited in the last year of published results was £3.06m and the turnover of Communisis Data Intelligence Ltd was £1.46m. The impact of the acquisition of certain trade and assets on the overall performance on the business is yet to be completely ascertained.

The total purchase consideration for the acquisitions was £3,764,000 (see details below).

		£'000
Communisis UK Limited, Communisis Digital Limited and Communisis Limited	Trade and assets	1,946
BD and Agencies	Trade and assets	546
Editions Publishing Limited	Share purchase – 100%	183
Communisis Inc.	Share purchase – 100%	11
Psona 12 Ltd	Share purchase – 100%	978
Psona Ltd	Share purchase – 100%	100
		3,764

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

34. First time adoption of IFRS

	Note	FRS 102 01 July 2021 £'000	Effect of transition £'000	IFRS 01 July 2021 £'000	FRS 102 30 June 2022 £'000	Effect of transition £'000	IFRS 30 June 2022 £'000
Non-current assets							
Goodwill	A	20,433	-	20,433	27,157	1,687	28,844
Other intangible assets	B	40,352	-	40,352	47,559	8,111	55,670
Negative goodwill		(7,412)	7,412	-	-	-	-
Property, plant and equipment	C	22,945	(7,290)	15,655	26,730	(6,094)	20,636
Right of use assets		-	36,278	36,278	-	37,995	37,995
Unquoted equity investments		733	-	733	524	-	524
Deferred tax assets		4,946	-	4,946	4,589	(60)	4,529
		81,997	36,400	118,397	106,559	41,639	148,198
Current assets							
Inventories		7,261	-	7,261	11,364	-	11,364
Trade and other payables	D	54,238	(868)	53,370	62,806	(1,212)	61,594
Cash and cash equivalents		37,428	-	37,428	45,698	-	45,698
		98,927	(868)	98,059	119,868	(1,212)	118,656
Total assets		180,924	35,532	216,456	226,427	40,427	266,854
Current liabilities							
Trade and other payables		(106,641)	-	(106,641)	(125,083)	-	(125,083)
Provisions				-	(1,631)	-	(1,631)
Lease liabilities	E	(2,188)	(5,932)	(8,120)	(2,242)	(13,238)	(15,480)
		(108,829)	(5,932)	(114,761)	(128,956)	(13,238)	(142,194)
Net current liabilities		(9,902)	(6,800)	(16,702)	(9,088)	(14,450)	(23,538)
Non-current liabilities							
Trade and other payables	F	(9,754)	503	(9,251)	(2,130)	368	(1,762)
Lease liabilities	E	(5,932)	(21,108)	(27,040)	(4,325)	(16,818)	(21,143)
Provisions	G	(5,737)	(1,583)	(7,320)	(4,226)	(790)	(5,016)
Long term loan		(20,747)	-	(20,747)	(53,973)	-	(53,973)
		(42,170)	(22,188)	(64,358)	(64,654)	(17,240)	(81,894)
Total liabilities		(150,999)	(28,120)	(179,119)	(193,610)	(30,478)	(224,088)
Net assets		29,925	7,412	37,337	32,817	9,949	42,766
Equity		29,925	7,412	37,337	32,817	9,949	42,766

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

34 First time adoption of IFRS (continued)

	Note	As previously stated 30 June 2022 £'000	Effect of transition £'000	IFRS 30 June 2022 £'000
Revenue from sale of goods and services		495,601	-	495,601
Cost of sales		(301,020)	-	(301,020)
Gross profit		194,581	-	194,581
Administrative expenses	H	(188,311)	3,446	(184,865)
Other operating income		166	-	166
Profit on ordinary activities before interest and tax		6,436	3,446	9,882
Share of equity accounted investments		399	-	399
Finance cost	E	(2,413)	(849)	(3,262)
Finance income		130	-	130
Profit before tax		4,552	2,597	7,149
Income tax charge		1,503	60	1,563
Profit for the year		3,049	2,537	5,586
Exchange differences on translation of foreign operations		(157)	-	(157)
Other comprehensive expense for the year		(157)	-	(157)
Total comprehensive profit for the year		2,892	2,537	5,429

Paragon Customer Communications Limited

34. First time adoption of IFRS (continued)

The Group's opening statement of financial position was prepared as at 01 July 2021, the Group's date of transition to UK-adopted International Standards. This note explains the principal adjustments made by the Group in restating FRS 102 financial statements, including the statement of financial position as at 01 July 2021 and the financial statements as of, and for, the year ended 30 June 2022.

Exemptions applied and explanations to the transition reconciliations

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under UK-adopted International Accounting Standards. The Group has applied the following exemptions:

- *IFRS 3 Business Combinations*

IFRS 3 Business Combinations has not been applied to acquisitions of businesses that occurred before 01 July 2021. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are either deemed cost at the date of acquisition. After the date of the acquisition, measurement is in accordance with IFRS.

- *IFRS 16 Leases*

The Group has assessed all contracts existing at 01 July 2021 to determine whether a contract contains a lease based upon the conditions in place as at that date.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using a single discount rate to a portfolio of similar leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying assets in a similar economic environment). The Group has determined its incremental borrowing rate based on an external professional valuation report.

Right of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, any lease incentives received and any provisions for onerous leases or dilapidations relating to that lease recognised in the statement of financial position immediately before 01 July 2021.

- *IFRS 15 Revenue from contracts with customers*

The Group has elected to take modified approach to the application of IFRS 15, recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings. Management has not elected to make use of the other practical expedients offered in IFRS 1 as they do not have any contract modifications.

- *IFRS 9 Financial Instruments*

Designation of previously recognised financial instruments – Management have considered the guidance within IFRS 1:D19 in relation to the designation of previously recognised financial instruments (i.e. designating, at the date of initial of IFRS, financial assets or liabilities that would otherwise be accounted for at amortised cost or fair value through other comprehensive income (FVTOCI) as at fair value through profit or loss (FVTPL) if doing so reduces an accounting mismatch). Management have determined that this is not applicable to the Group, as they do not have any in scope items.

Fair value measurement of financial assets or financial liabilities at initial recognitions – Unquoted equity investments are accounted for using equity method as detailed in note 3.4.

Designation of contracts to buy or sell a non-financial item – Management have considered the guidance within IFRS 1:D33 in relation to the designation of contracts to buy or sell a non-financial item. Management have determined that this is not applicable to the Group, as they do not have any in scope items.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

34. First time adoption of IFRS (continued)

a) Goodwill

Under FRS 102, goodwill was amortised over 10 years. IFRS does not allow for the systematic amortisation of goodwill, instead focussing on impairment. The amortisation of £2,325,000 recognised in 2022 accounts was reversed by debiting goodwill with a corresponding entry to profit and loss.

Also, IFRS does not allow acquisition costs to be treated as part of the consideration, £638,000 acquisition costs treated as part of the consideration for the businesses acquired in 2022 has been credited to goodwill with a corresponding entry to retained earnings.

b) Other intangible assets

FRS 102 requires negative goodwill to be deferred on the statement of financial position and gradually released through the profit or loss, £7,412,000 being the NBV as at 30/06/2021 was debited to other intangible assets with a corresponding entry to retained earnings at 01/07/2021. The effect of the transition in 2022 amounted to £8,111,000 which is made up of the £7,412,000 in 2021 and additional £699,000 reversed through the profit or loss in 2022 (see details below)

	£'000
Negative goodwill acquired during the year (2022)	1,849
Reversal of negative goodwill amortisation credited to the P&L during the (2022)	(1,150)
Net credit to P&L in 2022	699

c) Property, plant and equipment

At the date of transition, plant and machinery under finance lease with a net book value of £7,290,000 was reclassified to right-of-use assets and an additional right-of-use assets identified based on the existing lease contracts at transition date amounted to £28,988,000.

The right-of-use assets recognised as a result of the transition in 2022 is £37,995,000 after reclassifying the net book value of plant and machinery under finance lease (£6,094,000) to right-of-use assets.

d) Trade and other receivables

Under IFRS, transitional balances associated with leases, relating to the timing of payments have been reflected in the right of use asset

e) Lease liabilities

Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Group recognised an increase of £27,040,000 at the date of transition and £30,056,000 as at 30/06/2022.

Paragon Customer Communications Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

34. First time adoption of IFRS (continued)

f) Trade and other payables

Under IFRS, transitional balances associated with leases, relating to rent incentives have been reflected in the right of use asset and lease liabilities. The £503,000 rent incentives liability recognised in the books under FRS 102 at the date of transition has been adjusted for in right-of-use assets. £135,000 credited to the profit or loss in 2022 has also been adjusted for as a result of the transition to IFRS resulting in a net movement in trade and other payables in 2022 to £368,000.

g) Provisions

Onerous lease provisions of £737,000 accounted for under FRS 102 have been restated as an adjustment to the right-of-use assets on transition to IFRS. The £1,583,000 at the transition date comprises of additional dilaps provisions of £2,320,000 (credit) and a debit of £737,000. The onerous provisions of £793,000 charged to the profit and loss in 2022 has been reversed.

h) Administrative expenses

The P&L impact under IFRS are as detailed below giving a net effect of £3,339,000 credit to the administrative expenses in 2022.

	£'000
Goodwill amortisation reversed	2,325
Business combinations acquisition cost written off	(638)
Reversal of negative goodwill amortisation credited to the P&L during the (2022)	(1,150)
Negative goodwill acquired and written off in the year	1,849
Onerous provision reversed	793
Rent free provision reversed	(135)
Reversal of lease rental charged under FRS 102	9,302
Amortisation of right-of-use assets charged	(8,900)
Net movement in administrative expenses	3,446

i) Cash flow

The implementation of IFRS has not had an impact on the cash balance, however, there was an increase of £9,696,000 in the net cash generated from operations largely due to impact of IFRS 16 and the add back of rental charges on lease arrangements that have now been capitalised, which was offset by a decrease of £677,000 (originally capitalised under FRS 102) in investing activities and £10,373,000 increase in financing activities relating to lease liabilities payments.

Paragon Customer Communications Limited

**Notes to the Financial Statements
for the year ended 30 June 2023 (continued)**

Parent Company Financial Statements For the year ended 30 June 2023

Paragon Customer Communications Limited

Registered Number: 07262428
Company Statement of Financial Position
as at 30 June 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	7	16,212	22,029
Property, plant and equipment	8	136	744
Right of use assets	14	3,979	71
Investments	9	165,240	166,851
Deferred tax	15	2,633	-
		<u>188,200</u>	<u>189,695</u>
Current assets			
Trade and other receivables	10	28,455	34,359
Cash and cash equivalents	11	20,315	39,621
		<u>48,770</u>	<u>73,980</u>
Total assets		<u>236,970</u>	<u>263,675</u>
Current liabilities			
Trade and other payables	12	(48,266)	(72,600)
Lease liabilities	14	(30)	(90)
		<u>(48,296)</u>	<u>(72,690)</u>
Net current assets		<u>474</u>	<u>1,290</u>
Total assets less current liabilities		<u>188,674</u>	<u>190,985</u>
Non-current liabilities			
Trade and other payables	12	(29,601)	(20,195)
Lease liabilities	14	-	(45)
Long term loan from parent undertakings	13	(60,167)	(53,973)
Provisions	16	(347)	(330)
		<u>(90,115)</u>	<u>(74,543)</u>
Total liabilities		<u>(138,411)</u>	<u>(147,233)</u>
Net assets		<u>98,559</u>	<u>116,442</u>
Equity			
Share capital	17	51,000	51,000
Share premium	17	30,901	30,901
Merger relief reserve	18	14,021	14,021
Capital contribution reserve	18	1,127	1,127
Retained earnings	18	1,510	19,393
Total equity		<u>98,559</u>	<u>116,442</u>

As permitted by Section 408 of the Companies Act 2006, no Income Statement of the Company is included in these financial statements. The loss for the financial year for the Company was £17,883,000 (2022: £99,019,000 profit).

The financial statements on pages 77 to 98 were approved and authorised for issue by the board and were signed on its behalf on 27/3/2024


J E C Walters

Director

The notes on pages 79 to 98 form part of these financial statements.

Paragon Customer Communications Limited

Company Statement of Changes in Equity

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Retained earnings £'000	Total Equity £'000
At 1 July 2021	51,000	30,901	1,127	14,021	(79,626)	17,423
Total comprehensive profit for the year	-	-	-	-	99,019	99,019
At 30 June 2022	51,000	30,901	1,127	14,021	19,393	116,442
Total comprehensive loss for the year	-	-	-	-	(17,883)	(17,883)
At 30 June 2023	51,000	30,901	1,127	14,021	1,510	98,559

The notes on pages 79 to 98 form part of these financial statements

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

Notes to the Parent Company Financial Statements for the year ended 30 June 2023

1. Transition to FRS 101

For the period ended 30 June 2023, the Directors made the decision to transition from FRS102 *The Financial Reporting Standards applicable in the UK and Republic of Ireland* ("FRS 102") to Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice). The date of transition was 01 July 2021. As such, the company's financial statements have been prepared in accordance with FRS 101. The impact of the transition to FRS 101 on the financial statements of the company is contained in Note 19.

2. Accounting policies

The financial statements were prepared in accordance with Financial Reporting Standard 101 reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company's financial statements are presented in GBP and all values are rounded to the nearest £'000 except where otherwise indicated.

The results of the Company are included in the consolidated financial statements of Paragon Customer Communications Limited, which are available from its registered office, Lower Ground Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB, UK. The principal accounting policies adopted by the company are set out below.

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

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

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

- the requirements of paragraphs 118(e) of IAS38 Intangible Assets;
- the requirements of paragraphs 134(d) to 134(f) and 135 (c) to 135(e) of IAS 36 Impairments of Assets.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Intangible assets

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Statement of Financial Position at cost less amortisation. These assets are amortised on a straight line basis over their estimated useful lives, which is generally two to three years.

Trade names - Costs relating to the use of trade names are recorded at fair value at the date of acquisition and fully amortised over their estimated useful lives which is generally 2 – 5 years.

Investments

Investments are stated at historical cost in the Consolidated Statement of Financial Position. Provision is made for any impairment in the value of fixed asset investments.

Valuation of investments

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

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimate.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value and subsequently stated at amortised cost.

Trade receivables

Trade receivables do not carry any interest and are initially measured at the transaction price and subsequently held at amortised cost. For trade receivables, the transaction price is deemed to be equal to

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are held at amortised cost.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 24 for further details.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and less than 3 month demand deposits.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value. They are recognised at fair value and then held at amortised cost.

Leases

At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets or for a duration of twelve months or less.

The company recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the company.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred; and the amount of any dilapidations provisions recognised where the company is contractually required to dismantle, remove or restore the leased asset. Right-of-use assets are disclosed under three separate categories in the financial statements. These include land and buildings, plant and machinery and other (made up of fixtures & fittings and software).

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless, as is typically the case, this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged through- out the lease term.

Other variable lease payments are expenses in the period to which they relate.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance out- standing and are reduced for lease payments made. Right- of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate of index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

Tax

The tax expense in the Income Statement comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated on an undiscounted basis.

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 Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

3. Judgements and key sources of estimation uncertainty

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Intercompany balances

The directors have reviewed the recoverability of the remaining intercompany balances and no further impairment is required.

Forecasts and discount rates

The carrying values of investments on the Statement of Financial Position are dependent on estimates of future cash flows arising from Group operations which, in some circumstances, are discounted to arrive at a net present value.

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

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

4. Loss/profit from operations

As permitted by Section 408 of the Companies Act 2006, no income statement account of the Company is included in these financial statements. The loss for the financial year for the Company was £17,883,000 (2022: profit of £99,019,000).

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

5. Employees

Staff costs were as follows:

	2023	2022
	£'000	£'000
Wages and salaries	20,387	16,423
Social security costs	2,093	2,008
Cost of defined contribution scheme	723	509
Redundancy	367	30
	<u>23,570</u>	<u>18,970</u>

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

	2023	2022
	No	No
Administration and sales	234	191
Operations	<u>122</u>	<u>46</u>
	<u>355</u>	<u>237</u>

6. Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company was £221,000 (2022 - £60,000).

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

7. Intangible assets

	Software £'000	Trade Names £'000	Total £'000
Cost			
At 1 July	12,993	18,500	31,493
Additions	2,272	-	2,272
Disposals	(273)	-	(273)
At 30 June	14,992	18,500	33,492
Amortisation			
At 1 July	4,839	4,625	9,464
Additions	3,464	4,625	8,089
Disposals	(273)	-	(273)
At 30 June	8,030	9,250	17,280
Net book value			
At 30 June 2023	6,962	9,250	16,212
At 30 June 2022	8,154	13,875	22,029

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

8. Tangible assets

	Short term leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Financial year end 30 June 2022				
Opening net book value	6	-	-	6
Intra-group transfer	35	284	515	834
Depreciation	(12)	-	(84)	(96)
At 30 June	29	284	431	744
At 30 June 2022				
Cost or deemed cost	55	284	515	854
Accumulated depreciation	(26)	-	(84)	(110)
At 30 June 2022	29	284	431	744
Financial year end 30 June 2023				
Opening net book value	29	284	431	744
Disposals	-	(284)	-	(284)
Depreciation	(27)	-	(297)	(324)
At 30 June 2023	2	-	134	136
At 30 June 2023				
Cost or deemed cost	55	-	512	567
Accumulated depreciation	(53)	-	(378)	(431)
At 30 June 2023	2	-	134	136

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

9. Investments

	Shares in group companies £'000
Cost	
At 1 July 2022	253,996
Additions	1,035
Disposals	(172)
At 30 June 2023	254,859
Impairment	
At 1 July 2022	87,145
Charge for the year	2,474
At 30 June 2023	89,619
Net book value	
At 30 June 2023	165,240
At 30 June 2022	166,851

£1.4m of the impairment has arisen as a result of group restructuring exercise carried out during the year following the hive across of the trade and assets of Global Document Management Systems into another group entity.

Also impaired during the year are investment costs relating to Paragon Customer Communications (Luxembourg) SA amounting to £1.0m (2022 - £1.7m).

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

9. Investments (continued)

Subsidiary undertakings

The following were the subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activities
Directly held:				
Paragon Customer Communications (London) Limited	England & Wales	Ordinary	100%	Printing services
Paragon Customer Communications (Luxembourg) SA	Luxembourg	Ordinary	100%	Printing services
Lateral Holdings (UK) Limited*	England & Wales	Ordinary	100%	Holding company
D MSP Celerity Services SL Spain	Spain	Ordinary	100%	Software development
Celerity IS Inc. US	USA	Ordinary	100%	Software development
Paragon Customer Communications International Limited*	England & Wales	Ordinary	100%	Dormant
Critical Mail Continuity Services Limited	England & Wales	Ordinary	100%	Business continuity services
Devonshire Appointments Limited	England and Wales	Ordinary	100%	Recruitment consultancy
Paragon Customer Communications Ireland Limited	Ireland	Ordinary	100%	Printing services
Global Document Systems Limited*	England and Wales	Ordinary	100%	Business support services
Print Trade Suppliers Limited	England and Wales	Ordinary	100%	Printing services
PCC GDS Limited	England & Wales	Ordinary	100%	Business support services

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

9. Investments (continued)

Indirectly held:

dsicmm (Nottingham) Limited	England & Wales	Ordinary	100%	Printing services
Innovative Output Solutions (Manchester) Limited	England & Wales	Ordinary Preference	100% 100%	Dormant
Lateral Group Limited*	England & Wales	Ordinary	100%	Holding company
With Reason Limited*	England & Wales	Ordinary	100%	Technology development
The Lettershop Limited*	England & Wales	Ordinary	100%	Printing services
WL CCM Limited*	England & Wales	Ordinary	100%	Printing services
DG3 Group (Holdings) Limited*	England & Wales	Ordinary	100%	Printing services

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

* The financial statements for the period ended 30 June 2023 for these subsidiaries have been exempted from audit under section 479A of the Companies Act 2006 by way of Parental Guarantee from Paragon Customer Communications Limited

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

10. Trade and other receivables

	30 June 2023 £'000	30 June 2022 £'000
Trade debtors	4,691	-
Amounts owed by group undertakings	12,388	25,286
Other debtors	3,300	5,492
Corporation tax	303	303
Prepayments and accrued income	7,773	3,278
	<u>28,455</u>	<u>34,359</u>

All amounts are due within one year with the exception of deferred taxation.

Amounts owed by group undertakings, joint ventures and associates are unsecured.

11. Cash at bank and in hand

	30 June 2023 £'000	30 June 2022 £'000
Cash at bank and in hand	<u>20,315</u>	<u>39,621</u>

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

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

12. Trade and other payables

Note	30 June 2023 £'000	30 June 2022 £'000
Trade creditors	23,930	792
Deferred consideration	261	261
Amounts owed to group undertakings	39,421	76,838
Taxation and social security	1,664	1,940
Other creditors	4,637	4
Accruals and deferred income	7,954	12,870
Deferred taxation (note 15)	-	90
	<u>77,867</u>	<u>92,795</u>
	<u>30 June 2023 £'000</u>	<u>30 June 2022 £'000</u>
Current	48,266	72,600
Non-current	<u>29,601</u>	<u>20,195</u>
	<u>77,867</u>	<u>92,795</u>

The non-current balance relates to amounts owed to the group undertakings, they are unsecured, due for repayment on 30th September 2024 and bear any interest at various rates as per the terms of the loan. Amounts owed to group undertakings classified as current are repayable on demand.

13. Long term loan

Note	30 June 2023 £'000	30 June 2022 £'000
Long term loan	<u>60,167</u>	<u>53,973</u>

The long term loan is the loan obtained from the immediate parent company, PCC Global Plc. Interest is charged at 4.14% with a repayment date of 30 September 2025.

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

14. Leases

Right-of-use assets

	ROU Land & Buildings £'000	ROU Other £'000	Total £'000
Financial year ended 30 June 2022			
Opening Net book value	-	91	91
Additions	-	4	4
Intercompany transfer	-	19	19
Amortisation	-	(43)	(43)
At 30 June 2022	-	71	71
At 30 June 2022			
Cost or deemed cost	-	114	114
Accumulated amortisation	-	(43)	(43)
Net book value	-	71	71
Financial year ended 30 June 2023			
Opening Net book value	-	71	71
Additions	-	3,965	3,965
Disposals	-	(30)	(30)
Amortisation	-	(27)	(27)
At 30 June 2023	-	3,979	3,979
At 30 June 2023			
Cost or deemed cost	-	4,049	4,049
Accumulated amortisation	-	(70)	(70)
Net book value	-	3,979	3,979

The right-of-use asset addition in the year ended 30 June 2023 of £3,965,000 relates to directly attributable costs associated with a lease arrangement incurred prior to the lease commencement date.

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

14. Leases (continued)

Lease liabilities

	Land and Buildings £'000	Other £'000	Total £'000
Cost:			
At 1 July 2021	-	91	91
Additions	-	4	4
Intercompany transfer	116	19	135
Interest	1	2	3
Repayments	(55)	(43)	(98)
At 30 June 2022	62	73	135
Current	62	28	90
Non-current	-	45	45
At 30 June 2022	62	73	135
Cost:			
At 1 July 2022	62	73	135
Additions	-	15	15
Intercompany transfer	-	(31)	(31)
Interest	1	1	2
Repayments	(63)	(28)	(91)
At 30 June 2023	-	30	30
Current	-	30	30
Non-current	-	-	-
At 30 June 2023	-	30	30

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

15. Deferred taxation

	30 June 2023 £'000	30 June 2022 £'000
At 1 July	(90)	(17)
Credited/(charged) to the profit or loss	2,723	(685)
Intercompany transfer	-	612
At 30 June	2,633	(90)

The deferred tax asset is made up as follows:

	30 June 2023 £'000	30 June 2022 £'000
PPE and intangible assets	421	(420)
Temporary difference	86	330
Losses and other deductions	2,126	-
	2,633	(90)

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

16. Provision for liabilities

	Dilapidations £'000	Restructuring £'000	Annual Compensation Payments £'000	Total £'000
Balance at 01 July 2021	-	-	-	-
Charge during the period	1	1	-	2
Acquisition	106	321	-	427
Utilised in the year	(1)	(98)	-	(99)
At 30 June 2022	106	224	-	330
Current	-	-	-	-
Non-current	106	224	-	330
	106	224	-	330
Balance at 30 June 2022	106	224	-	330
Charge during the period	3	17	-	20
Reclassification	2	-	(2)	-
Intercompany transfer	-	-	148	148
Utilised in the year	-	(137)	(14)	(151)
At 30 June 2023	111	104	132	347
Current	-	-	-	-
Non-current	111	104	132	347
	111	104	132	347

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

The restructuring provision includes redundancy and related charges incurred on the closure or restructuring of Group operations. Restructuring provisions are recognised when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features. The calculation of restructuring provisions requires estimates in some circumstances to be made about the amounts and timing of resulting payments. Current provisions represent the anticipated payments to occur in the next twelve months.

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

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

17. Issued Share capital

	30 June 2023 £'000	30 June 2022 £'000
Allotted, called up and fully paid		
5,095,957,226 (2022: 5,095,957,226) - A Ordinary shares of £0.01 each	50,960	50,960
2,840,971 (2022: 2,840,971) - B Ordinary shares of £0.01 each	28	28
1,226,689 (2022: 1,226,689) - Deferred shares of £0.01 each	12	12
	<u>51,000</u>	<u>51,000</u>

Both 'A' ordinary shareholders and 'B' ordinary shareholders have the right to appoint 3 directors to the Board respectively. 'A' Ordinary and 'B' Ordinary shares rank pari-passu in all other respects. The deferred shareholders are not entitled to receive any dividends or other distribution.

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

18. Reserves

	30 June 2023 £'000	30 June 2022 £'000
Merger relief reserve	<u>14,021</u>	<u>14,021</u>

Merger relief arose on past business combinations that was accounted for as a merger in accordance with UK GAAP as applied at that time.

	30 June 2023 £'000	30 June 2022 £'000
Capital contribution reserve	<u>1,127</u>	<u>1,127</u>

This represents funds for share-based payments plan no longer operational.

	30 June 2023 £'000	30 June 2022 £'000
Retained earnings	<u>1,510</u>	<u>19,393</u>

This reserve records the cumulative amount of profits and losses less any dividend distributions made.

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued)
for the year ended 30 June 2023

19. First time adoption of FRS 101

	Note	FRS 102 01 July 2021 £'000	Effect of transition £'000	FRS 01 July 2021 £'000	FRS 102 30 June 2022 £'000	Effect of transition £'000	FRS 30 June 2022 £'000
Non-current assets							
Other intangible assets		5,039	-	5,039	22,029	-	22,029
Property, plant and equipment		6	-	6	744	-	744
Right of use assets	A	-	91	91	-	71	71
Investments		93,773	-	93,773	166,851	-	166,851
		98,818	91	98,909	189,624	71	189,695
Current assets							
Trade and other receivables	B	21,658	-	21,658	34,386	(27)	34,359
Cash and cash equivalents		33,864	-	33,864	39,621	-	39,621
		55,522	-	55,522	74,007	(27)	73,980
Total assets		154,340	91	154,431	263,631	44	263,675
Current liabilities							
Trade and other payables	C	(110,674)	-	(110,674)	(72,608)	8	(72,600)
Lease liabilities	D	-	(91)	(91)	-	(90)	(90)
		(110,674)	(91)	(110,765)	(72,608)	(82)	(72,690)
Net current liabilities		(55,152)	(91)	(55,243)	1,399	(109)	1,290
Non-current liabilities							
Trade and other payables		(5,496)	-	(5,496)	(20,195)	-	(20,195)
Lease liabilities	D	-	-	-	-	(45)	(45)
Provisions	E	-	-	-	(592)	262	(330)
Long term loan		(20,747)	-	(20,747)	(53,973)	-	(53,973)
		(26,243)	-	(26,243)	(74,760)	217	(74,543)
Total liabilities		(136,917)	(91)	(137,008)	(147,368)	135	(147,233)
Net assets		17,423	-	17,423	116,263	179	116,442
Equity		17,423	-	17,423	116,263	179	116,442

Paragon Customer Communications Limited

Notes to the Parent Company Financial Statements (continued) for the year ended 30 June 2023

19. First time adoption of FRS 101

- a) The right-of-use assets recognised as a result of the transition in 2022 is £91,000 at the transition date.
- b) £27,000 adjustment to trade and other receivables relate to the timing of payments which has already been reflected in the right-of-use assets.
- c) Under IFRS, transitional balances associated with leases, relating to rent incentives have been reflected in the right-of-use assets and lease liabilities, £8,000 charged to the Profit and loss in 2022 has been reversed.
- d) *Lease liabilities recognised in the books as a result of the transition, see (a) above.*
- e) Onerous lease provisions accounted for under FRS 102 have been restated as an adjustment to the right of use asset on transition to IFRS..