

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019



PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
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COMPANY INFORMATION

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	04220397
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 E2CV 7HN

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
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PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

Principal activities

The company's principal activities continue to be that of printing and enclosing of communication mail.

Business review

The results for the company for the year ended 30 June 2019 show a loss before taxation of £0.9 million (30 June 2018 - £0.3 million profit) and turnover of £35.8 million (30 June 2018 - £31.7 million). The directors have not proposed or paid a dividend in the year (30 June 2018 - £Nil). The net assets position as at the end of the year is £24.3m (30 June 2018 - £25.4m).

Part of the trade and assets of Paragon Group UK Limited were transferred and combined with that of the company at 30 June 2019 for a total purchase consideration of £7.2m.

Key performance indicators

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

Strategy and future developments

The company will continue to focus on the implementation of a strong and stable platform to focus on its strategy of being a business partner to our customers by working alongside them to deliver cost effective and efficient client communication platforms and solutions.

Future developments will include the extension of the service offering of the company to include greater presence in the analysis and processing of data which in turn drives multichannel communication. Also considered of great importance is to develop new communication management solutions, which will meet the growing customer requirement in the UK for the manufacturers of output to be able to offer alternative solutions to traditional print management companies.

Principal risks and uncertainties

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

Environmental matters

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Coronavirus risk

Further to the recent global outbreak of Coronavirus disease (COVID-19), the directors of the [Company / Group] continue to assess the situation across key markets and the potential risk to the operation of the business daily. At the time of signing of these accounts, there has been no unmanageable impact on either the Revenue, Customers or Employees within the Company.


The directors have taken all necessary measures as advised by the NHS, WHO, the UK government and equivalent local authorities across our offices, including promoting hygiene standards and providing facilities to enable this; and firmly insisting all employees to working from home where possible.

The Paragon Group and the Company have vital activities within the communication and financial sectors and was consequently given the "key worker status" during this outbreak. Both feel reasonably confident that they will retain a sufficient level of trading activity to sustain the business during the crisis.

The directors do not consider, at the date of signing of the financial statements, there to be a threat to the overall business in the case of outbreak-related closures and lockdowns due to the above and the Company (via the support offered by the overall Paragon Group) having access to sufficient working capital.

The directors believe that appropriate strategies have been, and are being further developed, to ensure the Company can reduce and manage the possible impacts of adverse developments which could affect the Company's ability to continue trading.

This report was approved by the board on 31 March 2020 and signed on its behalf by.


L T Salmon
Director

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their report and the audited financial statements for the year ended 30 June 2019.

Results and dividends

The loss for the year ended 30 June 2019, after taxation, amounted to £1.0m (30 June 2018 - £0.3m profit)

Directors

The directors who served during the year were:

P J Crean
L T Salmon
J E C Walters

Going concern

The Directors have reviewed the company's budgets and forecasts for the next 12 months from the date of this report, its liquid resources (including support available from its ultimate parent company), medium term plans, and the potential impact of the recent outbreak of the Coronavirus disease. The Paragon Group have also performed a downside scenario analysis which, while considered highly unlikely, demonstrates that the Group will have sufficient cash resources for a period of at least one year, even in the event of prolong lock down period of around 3 – 6 months, should that be mandated by Governments in the major countries they operate in. Given the fact that the Group has vital activities within the communication and financial sectors and was consequently given the "key worker status" during this outbreak, the Group feel confident that the support outlined by the various governments, such as tax deferral schemes and state aid/loan guarantee schemes can also be utilised, to assist in keeping its trading activities running at a sustainable level. The above statement do not protect the business from events that are out of its control and could potentially deeply change the outcome of its future activities. Nonetheless, the Directors have, at the date of signing of the accounts, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of currency risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a financial risk management program that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of trade debtors, creditors and in particular those relating to overseas suppliers and customers. The company does not use derivative financial instruments to manage currency risk exposure and as such, no hedge accounting is applied.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of continually managing exposure to commodity price risk exceeds any significant potential benefit. The risk is mitigated due to the ongoing centralisation of the company procurement team and also certain inputs being rechargeable directly to clients. The directors of the company will revisit the appropriateness of this policy should the company's operations change in size and nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Foreign currency risk

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

Credit risk

The company is exposed to customer credit risk through continuing uncertainty in the economy. The company has implemented policies that require appropriate credit checks on potential customers before work is undertaken. Additionally any significant increases in activity on existing clients will result in a reassessment of their credit risk. The company is a party to Paragon Customer Communications Limited group's debt factoring arrangement which minimizes credit risk.

Liquidity risk

The company has access to funding from other group companies to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risks

The company has no interest bearing assets and liabilities. All intercompany liabilities are interest free and currently deemed low risk. The directors will revisit the appropriateness of this policy should the market change significantly.

Investment in new equipment

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

Employee consultation

The company 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 in the forefront in the industry.

Disabled employees

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Directors' qualifying third party indemnity provisions

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

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Disclosure of information to auditors

The directors confirmed that:

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditors

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

This report was approved by the board on 31 March 2020 and signed on its behalf.


L T Salmon
Director

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

Opinion

We have audited the financial statements of Paragon Customer Communications (Bristol) Limited (the 'Company') for the year ended 30 June 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors for the audit of the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

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

Use of our report

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



Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
London

31 March 2020

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 £000	2018 £000
Turnover	4	35,847	31,724
Cost of sales		(25,707)	(20,396)
Gross profit		10,140	11,328
Distribution costs		-	(3)
Administrative expenses		(10,984)	(11,031)
Operating (loss)/profit	5	(844)	294
Interest payable and expenses	8	(24)	(39)
(Loss)/profit before tax		(868)	255
Tax on (loss)/profit	9	(173)	-
(Loss)/profit for the financial year		(1,041)	255

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

All amounts relate to continuing operations.

The notes on pages 15 to 31 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
REGISTERED NUMBER: 04220397

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	5,945	286
Tangible assets	11	4,956	4,039
		<u>10,901</u>	<u>4,325</u>
Current assets			
Stocks	12	999	1,275
Debtors: amounts falling due within one year	13	28,641	27,277
Cash at bank and in hand		1	-
		<u>29,641</u>	<u>28,552</u>
Creditors: amounts falling due within one year	14	(8,198)	(5,688)
Net current assets		<u>21,443</u>	<u>22,864</u>
Total assets less current liabilities		<u>32,344</u>	<u>27,189</u>
Creditors: amounts falling due after more than one year	15	(7,587)	(1,391)
Provisions for liabilities			
Other provisions	18	(417)	(417)
		<u>(417)</u>	<u>(417)</u>
Net assets		<u><u>24,340</u></u>	<u><u>25,381</u></u>
Capital and reserves			
Called up share capital	19	8,245	8,245
Share premium account		6,593	6,593
Capital contribution reserve		73	73
Profit and loss account		9,429	10,470
		<u>24,340</u>	<u>25,381</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by

L T Salmon

Director

Date: 31 March 2020

L T Salmon
L T Salmon

The notes on pages 15 to 31 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2018	8,245	6,593	73	10,470	25,381
Comprehensive income for the year					
Loss for the year	-	-	-	(1,041)	(1,041)
Other comprehensive income for the year					
	-	-	-	-	-
Total comprehensive income for the year					
	-	-	-	(1,041)	(1,041)
Total transactions with owners					
	-	-	-	-	-
At 30 June 2019	8,245	6,593	73	9,429	24,340

The notes on pages 15 to 31 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2017	8,245	6,593	73	10,215	25,126
Comprehensive income for the year					
Profit for the year	-	-	-	255	255
Other comprehensive income for the year					
	-	-	-	-	-
Total comprehensive income for the year					
	-	-	-	255	255
Total transactions with owners					
	-	-	-	-	-
At 30 June 2018	8,245	6,593	73	10,470	25,381

The notes on pages 15 to 31 form part of these financial statements.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. General information

Paragon Customer Communications (Bristol) Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

Accounting policies have been applied consistently, other than where new policies have been adopted.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Paragon Customer Communications Limited as at 30 June 2019 and these financial statements may be obtained from Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.3 Going concern

The Directors have reviewed the company's budgets and forecasts for the next 12 months from the date of this report, its liquid resources (including support available from its ultimate parent company), medium term plans, and the potential impact of the recent outbreak of the Coronavirus disease. The Paragon Group have also performed a downside scenario analysis which, while considered highly unlikely, demonstrates that the Group will have sufficient cash resources for a period of at least one year, even in the event of prolong lock down period of around 3 – 6 months, should that be mandated by Governments in the major countries they operate in. Given the fact that the Group has vital activities within the communication and financial sectors and was consequently given the "key worker status" during this outbreak, the Group feel confident that the support outlined by the various governments, such as tax deferral schemes and state aid/loan guarantee schemes can also be utilised, to assist in keeping its trading activities running at a sustainable level. The above statement do not protect the business from events that are out of its control and could potentially deeply change the outcome of its future activities. Nonetheless, the Directors have, at the date of signing of the accounts, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2.4 Turnover

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

Print mail

Turnover is recognised based upon the number of packages or items printed and delivered to or mailed on behalf of clients at the point of dispatch.

Services

Development and consulting services are provided on a time and materials basis. The turnover arising is recognised as the services are provided. Turnover provided under a fixed price contract is recognised on a percentage of completion basis.

Deferred income on contracts

Deferred income represents items billed in advance for periods up to 12 months or items which do not yet fulfil the turnover recognition criteria.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

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

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.8 Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at the commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.9 Stocks

Stocks comprising raw materials are stated at the lower of cost and estimated net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

2.14 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 (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.15 Current and deferred taxation

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

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

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

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

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

2.16 Impairment

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

2.17 Capital risk management

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

2.18 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.18 Financial instruments (continued)

rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.19 Reserves

The company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital contribution reserve represents funds injected from the parent company through balances due which have been waived and the accounting for share-based payments.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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

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

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible assets (see note 11)

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

- Impairment of trade receivables (see note 13)

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of amounts trade, other receivables and amounts owed by group entities, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. Turnover

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

	2019 £000	2018 £000
Printmail	27,751	23,865
Services	8,097	7,859
	<u>35,848</u>	<u>31,724</u>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	33,823	29,488
Rest of Europe	2,024	2,225
Rest of the world	-	11
	<u>35,847</u>	<u>31,724</u>

5. Profit before taxation

The (loss)/profit before taxation is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible assets:	-	-
owned assets	875	556
owned under finance lease	307	391
Amortisation of intangibles	156	193
Auditors' remuneration	25	24
Exchange differences	(4)	(2)
Operating lease rentals:	-	-
plant and machinery	127	79
other operating leases	495	495
	<u>495</u>	<u>495</u>

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

6. Employees

Staff costs were as follows:

	2019	<i>2018</i>
	£000	<i>£000</i>
Wages and salaries	6,399	6,054
Social security costs	650	623
Cost of defined contribution pension scheme	225	186
	<u>7,274</u>	<u>6,863</u>

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

	2019	<i>2018</i>
	No.	<i>No.</i>
Operations	182	186
Administration	36	12
	<u>218</u>	<u>198</u>

7. Directors' remuneration

The directors were remunerated through other group companies and no recharges were made as it was not possible to determine the proportion of the director's work that was performed for the company.

8. Interest payable and similar expenses

	2019	<i>2018</i>
	£000	<i>£000</i>
Finance leases	24	39
	<u>24</u>	<u>39</u>

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Tax on profit

	2019	<i>2018</i>
	£000	<i>£000</i>
Corporation tax		
Adjustments in respect of previous periods	5	-
	<u>5</u>	<u>-</u>
Total current tax	<u>5</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	182	-
Changes to tax rates	(14)	-
Total deferred tax	<u>168</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>173</u>	<u>-</u>

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
(Loss)/profit on ordinary activities before tax	(868)	255
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	(165)	48
Effects of:		
Expenses not deductible for tax purposes	5	(212)
Adjustments to tax charge in respect of prior periods	(15)	-
Adjustment for long accounting periods leading to an increase (decrease) in the tax charge	(21)	-
Group relief	369	164
Total tax charge for the year	173	-

Factors that may affect future tax charges

Legislation has been enacted to reduce the main UK corporation tax rate from 19% to 17% effective from 1 April 2020. The deferred tax balances have been re-measured at these rates as appropriate.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

10. Intangible assets

	Customer relationship £000	Computer software £000	Goodwill £000	Total £000
Cost				
At 1 July 2018	-	2,127	-	2,127
Additions	4,833	55	-	4,888
Intra-group transfers	-	477	450	927
At 30 June 2019	4,833	2,659	450	7,942
Amortisation				
At 1 July 2018	-	1,841	-	1,841
Charge for the year	-	156	-	156
At 30 June 2019	-	1,997	-	1,997
Net book value				
At 30 June 2019	4,833	662	450	5,945
At 30 June 2018	-	286	-	286

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 July 2018	1,755	10,864	816	1,071	14,506
Additions	54	2,395	33	-	2,482
Intra-group transfers	-	785	-	-	785
Disposals	(24)	(3,677)	(25)	(313)	(4,039)
Transfers between classes	-	-	(20)	20	-
At 30 June 2019	1,785	10,367	804	778	13,734
Depreciation					
At 1 July 2018	1,556	7,371	734	805	10,466
Charge for the year on owned assets	48	705	7	115	875
Charge for the year on financed assets	-	307	-	-	307
Disposals	(24)	(2,508)	(25)	(313)	(2,870)
At 30 June 2019	1,580	5,875	716	607	8,778
Net book value					
At 30 June 2019	205	4,492	88	171	4,956
At 30 June 2018	199	3,492	82	266	4,039

The net book value at year end includes £518,000 relating to assets owned under finance lease.

12. Stocks

	2019 £000	2017 £000
Raw materials and consumables	963	1,162
Work in progress (goods to be sold)	36	113
	999	1,275

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13. Debtors

	2019	2018
	£000	£000
Trade debtors	5,478	6,038
Amounts owed by group undertakings	18,322	16,192
Other debtors	8	48
Prepayments and accrued income	3,998	3,996
Deferred taxation	835	1,003
	<u>28,641</u>	<u>27,277</u>

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

The impairment loss recognised in the company profit or loss for the year ended 30 June 2019 in respect of bad and doubtful trade debtors was £3,926 (30 June 2018 - £Nil).

14. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	1,600	1,836
Amounts owed to group undertakings	1,611	508
Corporation tax	5	-
Other taxation and social security	576	697
Obligations under finance lease and hire purchase contracts	130	557
Other creditors	1,668	210
Accruals and deferred income	2,608	1,880
	<u>8,198</u>	<u>5,688</u>

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

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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

	2019	2018
	£000	£000
Net obligations under finance leases and hire purchase contracts	387	1,391
Amounts owed to group undertakings	7,200	-
	7,587	1,391

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019	2018
	£000	£000
Not later than 1 year	142	579
Later than 1 year and not later than 5 years	403	1,471
Total gross payments	545	2,050
Finance charges	(28)	(102)
Carrying amount of liability	517	1,948

17. Deferred taxation

	2019	2018
	£000	£000
At beginning of year	1,003	1,003
Charged to profit or loss	(168)	-
At end of year	835	1,003

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	835	1,003
	<u>835</u>	<u>1,003</u>

18. Provisions

	Dilapidations £000
At 1 July 2018	417
At 30 June 2019	<u>417</u>

Provision for dilapidations represents the estimated cost of repairs required under all current property rentals prior to the end of the lease term.

19. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
8,245,483 (2018 - 8,245,483) Ordinary shares of £1.00 each	<u>8,245</u>	<u>8,245</u>

20. Pension commitments

The company operates defined contribution pension schemes. The pension cost charge for the year ended 30 June 2019 represents contributions payable to the schemes and amounted to £224,588 (Year ended 30 June 2018 - £186,443).

At 30 June 2019 £3,976 (30 June 2018 - £Nil) was owed to the defined contribution pension scheme providers.

PARAGON CUSTOMER COMMUNICATIONS (BRISTOL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

21. Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	655	535
Later than 1 year and not later than 5 years	2,333	2,014
Later than 5 years	1,774	2,261
	<u>4,762</u>	<u>4,810</u>

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

The company had no other off-balance sheet arrangements.

22. Related party transactions

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

23. Controlling party

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

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

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

24. Subsequent event

The outbreak of the global coronavirus pandemic is considered to be a non adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in the strategic and directors reports. It is too early for the Board to quantify the potential financial impact on the company.