

**Paragon Customer
Communications (Bristol) Limited**

Report and Financial Statements

For The 6 Months Period Ended

30 June 2017

Company Number 04220397

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Paragon Customer Communications (Bristol) Limited

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	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
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 6 month period ended 30 June 2017

Principal activities

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

Sale of Output UK Business

On the 14 June 2016 DSTI Systems Inc. announced to the market that it was pursuing the divestiture of its U.K. Customer Communications business, the DST Output Limited Group.

The divestiture was completed on 4 May 2017, the entire UK Customer Communications business was sold to Grenadier Holdings PLC (Company Registration Number 03591693) and now registered as Paragon Customer Communications Limited.

Business review

The results for the company for the 6-month period ended 30 June 2017 show a profit before taxation of £1.3 million (year ended 31 December 2016 - £2.7 million) and turnover of £15.1 million (year ended 31 December 2016 - £30.8 million). The directors have not proposed or paid a dividend in the current period (year ended 31 December 2016 - £Nil). The net assets position as at the end of the period is £25.1m (year ended 31 December 2016 - £24.0m).

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.

Paragon Customer Communications (Bristol) Limited

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

Environmental matters

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

Impact of the UK deciding to leave the European Union

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

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



J E C Walters
Director

Paragon Customer Communications (Bristol) Limited

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

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

Results and dividends

The profit for the 6 month period ended 30 June 2017 amounted to £1.1 million (year ended 31 December 2016 - £2.1 million).

Directors

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

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

Going concern

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

Financial risk management

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.

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.

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 risk

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

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.

Paragon Customer Communications (Bristol) Limited

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

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.

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.

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.

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.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Paragon Customer Communications (Bristol) Limited

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

Directors' qualifying third party indemnity provisions

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

Disclosure of information to auditors

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

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

Independent auditors

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

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



J E C Walters
Director

Paragon Customer Communications (Bristol) Limited

Independent Auditors' Report to the Members of Paragon Customer Communications (Bristol) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Paragon Customer Communications (Bristol) Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Paragon Customer Communications (Bristol) Limited

Independent Auditors' Report to the Members of Paragon Customer Communications (Bristol) Limited

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Paragon Customer Communications (Bristol) Limited

Independent Auditors' Report to the Members of Paragon Customer Communications (Bristol) Limited

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
29 March 2018

Paragon Customer Communications (Bristol) Limited

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

	Note	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Turnover	4	15,079	30,828
Cost of sales		(11,409)	(23,592)
Gross profit		3,670	7,236
Administrative expenses		(2,362)	(4,537)
Operating profit	5	1,308	2,699
Interest		(22)	-
Profit before taxation		1,286	2,699
Tax on profit	8	(214)	(590)
Profit for the financial period/ year		1,072	2,109

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

All amounts relate to continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

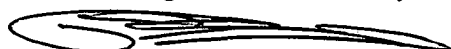
Paragon Customer Communications (Bristol) Limited

Registered number:04220397

Statement of Financial Position As at 30 June 2017

	Note	30 June 2017 £000	31 December 2016 £000
Fixed assets			
Intangible assets	9	116	170
Tangible assets	10	2,539	3,086
		<u>2,655</u>	<u>3,256</u>
Current assets			
Stocks	11	1,142	1,267
Debtors	12	27,906	25,588
		<u>29,048</u>	<u>26,855</u>
Creditors: amounts falling due within one year	13	(4,928)	(4,262)
Net current assets		<u>24,120</u>	<u>22,593</u>
Total assets less current liabilities		<u>26,775</u>	<u>25,849</u>
Creditors: amounts falling due after more than one year	14	(1,232)	(1,412)
Provisions for liabilities			
Other provisions	17	(417)	(400)
Net assets		<u><u>25,126</u></u>	<u><u>24,037</u></u>
Capital and reserves			
Called up share capital	18	8,245	8,245
Share premium account		6,593	6,593
Capital contribution reserve		73	56
Profit and loss account		10,215	9,143
Total equity		<u><u>25,126</u></u>	<u><u>24,037</u></u>

The financial statements on pages 9 to 27 were approved and authorised for issue by the board of directors and were signed on its behalf by



J E C Walters
Director

Date: 28/3/18

The notes on pages 13 to 27 form part of these financial statements.

Paragon Customer Communications (Bristol) Limited

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

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	8,245	6,593	56	9,143	24,037
Comprehensive income for the period					
Profit for the 6-month period	-	-	-	1,072	1,072
Total comprehensive income for the period	-	-	-	1,072	1,072
Contributions by and distributions to owners					
Capital contribution in respect of stock incentive plan	-	-	17	-	17
Total transactions with owners	-	-	17	-	17
At 30 June 2017	8,245	6,593	73	10,215	25,126

The notes on pages 13 to 27 form part of these financial statements.

Paragon Customer Communications (Bristol) Limited

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

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	8,245	6,593	33	7,034	21,905
Comprehensive income for the year					
Profit for the financial year	-	-	-	2,109	2,109
Total comprehensive income for the year	-	-	-	2,109	2,109
Contributions by and distributions to owners					
Capital contribution in respect of stock incentive plan	-	-	23	-	23
Total transactions with owners	-	-	23	-	23
At 31 December 2016	8,245	6,593	56	9,143	24,037

The notes on pages 13 to 27 form part of these financial statements.

Paragon Customer Communications (Bristol) Limited

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

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 and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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 2017 and these financial statements may be obtained from Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

Paragon Customer Communications (Bristol) Limited

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

2. Accounting policies (continued)

2.3 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.

2.4 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 3-5 years useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.5 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.

The estimated useful lives range as follows:

Leasehold improvements	- Over the period of the lease
Production machinery	- 4 - 7 years
Office equipment and furniture	- 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.

Paragon Customer Communications (Bristol) Limited

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

2. Accounting policies (continued)

2.6 Operating leases: the company as lessee

All leases held are operating leases and as such the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2.7 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.

2.8 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.

2.9 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.

Paragon Customer Communications (Bristol) Limited

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

2. Accounting policies (continued)

2.9 Foreign currency translation (continued)

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'.

2.10 Share based payments

The restricted stock plan is no longer operational following the change of ownership that occurred during the period under review.

The statement of comprehensive income charge in the period concludes all rights to employees under the former scheme.

2.11 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 profit and loss account as they become payable in accordance with the rules of the scheme.

2.12 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 period 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 6 month period ended 30 June 2017 (continued)

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the period 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.

2.14 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.

2.15 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.

2.16 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 contains movement in equity settled share based payments.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Paragon Customer Communications (Bristol) Limited

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

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

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

- Determine whether 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 10)

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 12)

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

4. Turnover

All turnover arose within the United Kingdom.

5. Profit before taxation

The profit before taxation is stated after charging:

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Depreciation of tangible assets:		
- owned assets	287	704
- under finance lease	260	311
Amortisation of Intangibles	54	109
Auditors' remuneration - fees payable for the audit	24	48
Operating lease rentals:		
- plant and machinery	68	128
- other operating leases	248	499

Paragon Customer Communications (Bristol) Limited

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

6. Employees

Staff costs were as follows:

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Wages and salaries	3,240	6,218
Social security costs	315	586
Cost of defined contribution pension scheme	89	180
	<u>3,644</u>	<u>6,984</u>

The average monthly number of employees, excluding the directors, during the period/ year was as follows:

	6 months ended 30 June 2017 No.	Year Ended 31 December 2016 No.
Operations	199	186
Administration	14	12
	<u>214</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.

Paragon Customer Communications (Bristol) Limited

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

8. Tax on profit

	6 months ended 30 June 2017 £000	Year Ended 31 December 2016 £000
Corporation tax	198	351
Current tax on profits for the period		
Adjustments in respect of prior periods	(38)	22
Total current tax	<u>160</u>	<u>373</u>
Deferred tax	54	182
Origination and reversal of timing differences		
Adjustments in respect of prior years	-	(9)
Effect of changes in tax rates	-	44
Total deferred tax	<u>54</u>	<u>217</u>
Tax on profit	214	590

Paragon Customer Communications (Bristol) Limited

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

8. Tax on profit (continued)

Factors affecting tax charge for the year

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

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Profit before taxation	1,286	2,699
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	251	540
Effects of:		
Expenses not deductible for tax purposes	1	-
Difference in tax rates	-	43
Adjustments in respect of prior years	(38)	13
Relief for share based payments	-	(6)
Total tax charge for the period/year	214	590

Factors that may affect future tax charges

Legislation has been enacted to reduce the main UK corporation tax rate from 20% to 19% effective from 1 April 2017. A further reduction to 17% has also been enacted and will be effective from 1 April 2020. 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 6 month period ended 30 June 2017 (continued)

9. Intangible assets

	Software £000
Cost	
At 1 January 2017	1,950
At 30 June 2017	<u>1,950</u>
Amortisation	
At 1 January 2017	1,780
Charge for the period	54
At 30 June 2017	<u>1,834</u>
Net book value	
At 30 June 2017	<u><u>116</u></u>
At 31 December 2016	<u><u>170</u></u>

Paragon Customer Communications (Bristol) Limited

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

10. Tangible fixed assets

	Leasehold improve- ments £000	Production machinery £000	Office equipment furniture £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 January 2017	1,955	17,931	657	2,388	22,931
Disposals	-	(7,425)	-	-	(7,425)
At 30 June 2017	1,955	10,506	657	2,388	15,506
Depreciation					
At 1 January 2017	1,691	15,408	514	2,232	19,845
Charge for the period	22	448	25	52	547
Disposals	-	(7,425)	-	-	(7,425)
At 30 June 2017	1,713	8,431	539	2,284	12,967
Net book value					
At 31 December 2017	242	2,075	118	104	2,539
At 30 June 2017	264	2,523	143	156	3,086

The disposal during the 6-month period relates to the scrappage of old unserviceable SDP Versmark, Scitex and Kodak Vixen equipment.

The net book value at period end includes £1,295,000 relating to assets owned under finance lease.

11. Stocks

	30 June 2017 £000	31 December 2016 £000
Raw materials	<u>1,142</u>	<u>1,267</u>

The replacement cost of raw materials is not materially different from the amounts stated above.

Paragon Customer Communications (Bristol) Limited

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

12. Debtors: Amounts falling due within one year

	30 June 2017 £000	31 December 2016 £000
Trade debtors	4,411	4,924
Amounts owed by group undertakings	19,556	16,802
Other debtors	124	83
Deferred taxation (see note 16)	1,003	1,057
Prepayments and accrued income	2,812	2,722
	<u>27,906</u>	<u>25,588</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 6 months period ended 30 June 2017 in respect of bad and doubtful trade debtors was £Nil (year ended 31 December 2016 - £17,436).

13. Creditors: Amounts falling due within one year

	30 June 2017 £000	31 December 2016 £000
Trade creditors	952	516
Amounts owed to group undertakings	23	650
Taxation and social security	817	852
Obligations under finance leases	359	355
Other creditors	252	173
Corporation Tax	509	-
Accruals and deferred income	2,016	1,716
	<u>4,928</u>	<u>4,262</u>

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

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

	30 June 2017 £000	31 December 2016 £000
Net obligations under finance leases	<u>1,232</u>	<u>1,412</u>

Paragon Customer Communications (Bristol) Limited

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

15. Finance leases

The future minimum finance lease payments are as follows:

	30 June 2017 £000	31 December 2016 £000
Not later than 1 year	396	396
Later than 1 year and not later than 5 years	1,287	1,485
Total gross payments	1,683	1,881
Finance charges	(92)	(114)
Carrying amount of liability	1,591	1,767

16. Deferred taxation

	30 June 2017 £000	31 December 2016 £000
At beginning of period	1,057	1,274
Charged to the profit or loss	(54)	(217)
At end of period	1,003	1,057

The deferred tax asset is made up as follows:

	30 June 2017 £000	31 December 2016 £000
Accelerated capital allowances	1,003	1,053
Other short term timing differences	-	4
	1,003	1,057

Paragon Customer Communications (Bristol) Limited

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

17. Provisions

	Dilapidation Provision £000
At 1 January 2017	400
Charged to profit or loss	17
At 30 June 2017	417

Dilapidation

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

18. Called up share capital

	30 June 2017 £000	31 December 2016 £000
Allotted, called up and fully paid		
8,245,483 (2016 - 8,245,483) Ordinary shares of £1 each	8,245	8,245

19. Share based payments

The total charge for the 6 months period ended 30 June 2017 relating to share based remuneration was £17,107 (year ended 31 December 2016 - £23,193), all of which relates to equity settled share based payment transactions.

These plans are no longer operational under the new ownership of Paragon Customer Communications Limited's group subsequent to the sale of Output Group on 4 May 2017.

20. Pension commitments

The company operates defined contribution pension schemes. The pension cost charge for the 6 months ended 30 June 2017 represents contributions payable to the schemes and amounted to £89,419 (year ended 31 December 2016 - £179,891).

At 30 June 2017 £Nil (31 December 2016 - £Nil) was owed to the defined contribution pension scheme providers.

Paragon Customer Communications (Bristol) Limited

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

21. Commitments under operating leases

At the balance sheet date the company had future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2017 £000	31 December 2016 £000
Not later than 1 year	593	622
Later than 1 year and not later than 5 years	1,557	1,579
Later than 5 years	3,251	3,502
	<u>5,401</u>	<u>5,703</u>

The company had no other off-balance sheet arrangements.

22. Related party transactions

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

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 Park House, 16/18 Finsbury Circus, London, EC2M 7EB.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in England. Grenadier Holdings Plc, a wholly owned subsidiary of Paragon Group Limited, acquired Paragon Customer Communications Limited on 4 May 2017. Prior to this, the ultimate controlling party was DST Systems Inc., a company incorporated in the United States of America.