

# **Paragon Customer Communications Limited**

Report and Financial Statements

6 Months Period Ended

30 June 2017

Company Number 07262428

THURSDAY



\*L72QXUMR\*

L10

29/03/2018

#43

COMPANIES HOUSE

# Paragon Customer Communications Limited

## Company Information

---

<b>Directors</b>	P J Crean L T Salmon J E C Walters
<b>Company secretary</b>	R J Cahill
<b>Registered number</b>	07262428
<b>Registered office</b>	Lower Ground Floor Park House 16/18 Finsbury Circus London EC2M 7EB
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
<b>Bankers</b>	Lloyds Bank plc 25 Gresham Street London EC2V 7HV

# Paragon Customer Communications Limited

Contents	Page(s)
Strategic Report	2 – 4
Directors' Report	5 – 7
Independent auditors' report to the members of Paragon Customer Communications Limited	8 – 10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Financial Position	12
Company Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14 – 15
Company Statement of Changes in Equity	16 – 17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19 - 46

---

# Highlights of the 6 months

Group Revenue  
£79.9m

Underlying EBITDA\*  
£3.4m

---

Net Cash Flow  
from Operating  
Activities\*\*  
£3.7m

Net Cash  
£0.8m

---

\*See note 32

\*\*See note 25

# Paragon Customer Communications Limited

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

---

### Introduction

The directors present their strategic report of Paragon Customer Communications Limited for the period ended 30 June 2016.

### Review of the business

We are pleased to report on what was both a successful and eventful 6 months for the business. However, first an explanation around the fact that you are reading a half year set of accounts.

On 4 May 2017, Paragon Group acquired DST Customer Communications Limited (since renamed Paragon Customer Communications Limited) from DST Systems Inc. whose financial year ended 31<sup>st</sup> December 2016. The Paragon Group's financial year ends 30<sup>th</sup> June, so it was deemed appropriate to change the Paragon Customer Communications Limited financial year to match that of Paragon Group, especially as we account for over a quarter of the group's annualised turnover.

We are delighted that the transition of the DST Customer Communications' business into the Paragon Group has gone smoothly. This smooth transition has been due to the leadership team as well as the support of both customers and suppliers. Our customers have recognised Paragon Group's commitment to the communication industry, including investment to ensure we stay ahead of the curve in terms of offering integrated communication solutions; and we are delighted to announce that all of our major clients have stayed with us throughout the transition. We have also won a number of significant contracted jobs in recent months, underpinning future revenue for years to come.

Our position of offering a complete range of communication solutions is becoming ever more attractive to clients in an increasingly complex marketing and communication landscape. These financial statements do show that we experienced some one-off costs due to the sale/acquisition; however, we are making sure that the efficiencies of combining the businesses are delivered to the bottom line going forward.

At the date of this report, we are reviewing the first quarter of the new financial year, and are pleased to report that we have had a promising start, with the revenue and profit being ahead of the same period for the previous year. We have some great new work in the pipeline and are looking forward to an exceptionally busy year as we use the latest technology to enable responsive and meaningful interactions that support our clients and their customer journeys. So, in summary, whilst the name above the door may have changed, the business stays the same. We keep the same team, clients and suppliers as before; however, can now offer a broader portfolio of solutions to an ever extending client base. We look forward to reporting on a full year's figures next time, and with what we are seeing on the horizon, expect it to be a very positive report.

### Strategy and future developments

Paragon uses the latest technology to help our clients better communicate with their customers. Working as an extension of our clients' businesses, we embrace integrity, security and high standards to deliver more effective, seamless and engaging communication experiences. We provide cost efficient solutions to make it easy for them to send the right message, via the right channel, at the right time. We continually develop and provide deep expertise in a full range of market leading integrated solutions that match the demands of an evolving and complex customer communication landscape. Paragon continues to invest in a platform that allows us to integrate communication across all relevant channels, both now and in the future. We develop solutions unique to Paragon, whilst also integrating best-of breed third party software and application to ensure we always offer clients the latest in thinking and delivery of customer communication. We continue to invest in an infrastructure that enables us to make physical communication more engaging, often using dynamic, variable data combined with interactive formats. Being part of a global group, we benefit from the sharing of knowledge, best practice and research and development, providing world leading applications on both a local and international level.

# Paragon Customer Communications Limited

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

---

### Principle Risks and uncertainties

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

- *Consumer preferences and desires* – A significant element of the market in which the business operates is driven by the Direct Marketing industry, this is subject to annual cycles as well as pressures from the long term change to move to digital marketing by the current and potential clients. To address the risks presented by the changes in the Direct Mail market the business is continuing to invest in new technologies. The business also operates in the Transactional Print market, to remain competitive in this market the business is investing in technology which further develops the digital print offering and differentiates the business from its competitors.
- *Production Risk* – The business runs very high levels of quality and service legal agreement ('SLA') performance. Quality risk is managed via the use of Lean and 6 Sigma programmes by well trained and competent staff. SLA risk is managed by a planned production environment and well maintained production resources.
- *Business improvement risk* – There are a number of systems on which the business is highly dependent on. The business continues to invest in these systems to ensure they remain effective and are able to support the changes in the market in which the business operates.
- *Competition risk* – Continuing uncertainty in the UK and global economy particularly in relation to marketing expenditure continues to impact the group. Over capacity and low margin pricing in the lithographic and web offset printing sector continues to deliver challenges. The group's exposure is mitigated by having a customers' base from a wide spread of sectors and industries and by providing a broad range of services and product offerings with value added, emerging e-solutions and customised output. Furthermore, a significant proportion of the group's work is contractual, transactional and regulatory in nature. In addition, the group has a track record of successful customer retention through proactive customer relationship management and ensuring customer requirements are met.
- *Talent management* – To maintain the high levels of quality and service employee retention is key. The business manages the risks of attrition by maintaining good communications with staff, by training and developing the employees and incentivising excellent performance through various initiatives.

### Overview of the numbers

The underlying EBITDA for the 6 months period is £3.4m after the exclusion of £965k of additional personnel costs related to the acquisition process and £1.167m relating to the accounting adjustments made at the point of acquisition (2016 financial year - 12 months - £8.7m) (note 32). This small decline can be attributed to the impact of the business being held for sale during the first 4 months of the period, post Paragon ownership, we have seen trade back at its usual levels and therefore any shortfall is deemed one off rather than a trend.

The results for the group, for the 6 months period, show a loss before taxation of £1.0m (2016 financial year: loss of £3.4m) and group turnover of £79.9m (2016 financial year - 12 months - £162.7m). The directors have not proposed or paid a dividend in the current financial year (2016 - £Nil).

The business has generated cash flow from operations of £3.7m (2016: £12.0m) as a result of the strong trading performance and good working capital management.

# Paragon Customer Communications Limited

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

## Financial key performance indicators

Management uses a range of performance measures to monitor and manage the business. KPIs measure past performance and provide information to manage the business. Turnover, operating profit and operating cash flow indicate the volume of work, its profitability and the efficiency with which we have turned operating profits into cash. KPIs for 6 months to 30 June 2017 are shown in the table below, along with prior year comparatives.

	6 months ended 30 June 2017 £'000	12 months ended 31 December 2016 £'000	Pro-rata Change %
Group turnover	79,885	162,665	(1.8%)
Group turnover per employee	115	119	(3.4%)
Number of employees (average)	1,394	1,366	2.0%
Gross profit	21,954	44,102	(0.5%)
Gross margin	27.5%	27.1%	0.4%
Group operating (loss)/profit (excluding goodwill/impairment)	(747)	4,379	(134.1%)
Underlying EBITDA	3,444	8,690	(57.6%)
Operating cash flow	3,745	11,971	(37.4%)
Net cash	832	1,448	(42.5%)

## 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 are FSC accredited. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

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



J E C Walters  
Director

# **Paragon Customer Communications Limited**

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

---

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

### **Principal activity**

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

### **Results and dividends**

The results are discussed in the strategic report. The directors do not recommend the payment of a dividend.

### **Directors**

The directors who served during the period were:

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

### **Political contributions**

The group made no political donations.

### **Employee consultation**

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

### **Disabled employees**

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

### **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.



# Paragon Customer Communications 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 its directors. For the purposes of the Companies Act 2006, Paragon Customer Communications Limited provides indemnity insurance for its directors and company secretary for qualifying third party provisions. This insurance was in place for the 6 months period ending 30 June 2017 and remains in place at the date of signing of these financial statements.

### **Financial risk management**

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

#### *Credit risk*

The group is exposed to customer credit risk through continuing uncertainty in the economy. The group has implemented policies that require appropriate credit checks on potential customers before work is undertaken. Additionally, any significant increases in activity on existing clients will result in a reassessment of their credit risk.

#### *Price risk*

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

#### *Liquidity risk*

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

#### *Interest rate risk*

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

#### *Foreign currency risk*

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

#### *Capital risk*

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

# Paragon Customer Communications Limited

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

---

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the group and parent company financial statements 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 that directors are aware, there is no relevant audit information of which the company auditors are unaware, and
- that the directors 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 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 Limited**

## **Independent auditors' report to the members of Paragon Customer Communications Limited**

---

### **Report on the audit of the financial statements**

---

#### **Opinion**

In our opinion, Paragon Customer Communications Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2017 and of the group's loss and cash flows 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 consolidated and company statements of financial position as at 30 June 2017; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements 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 group 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 group's and 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 group's and company's ability to continue as a going concern.

# **Paragon Customer Communications Limited**

## **Independent auditors' report to the members of Paragon Customer Communications Limited (continued)**

---

### **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 group and company and their 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 7, 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 group's and 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 group or 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

# Paragon Customer Communications Limited

## Independent auditors' report to the members of Paragon Customer Communications Limited (continued)

---

### *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 company 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 Limited

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

		6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
	Note		
<b>Turnover</b>			
Group and share of joint ventures' turnover		81,660	164,932
Less: Share of joint ventures' turnover		(1,775)	(2,267)
<b>Group turnover</b>	3	79,885	162,665
Cost of sales		(57,931)	(118,563)
<b>Gross profit</b>		21,954	44,102
Distribution costs		(917)	(2,104)
Administrative expenses		(21,784)	(38,082)
Profit on sale of investment property	4	-	463
<b>Operating (loss)/profit</b>	5	(747)	4,379
Impairment of goodwill		-	(6,658)
Share of profit in Joint Ventures and Associates		222	162
Interest receivable and similar income	8	10	20
Interest payable and similar charges	9	(437)	(1,268)
<b>(Loss)/profit before taxation</b>		(952)	(3,365)
Tax on (loss)/profit	10	10	(672)
<b>Total comprehensive income and (loss)/profit for the financial year</b>		(942)	(4,037)

The notes on pages 19 to 46 form part of these financial statements. The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There were no other items of comprehensive income in the 6 months period ended 30 June 2017 and the year ended 31 December 2016.

# Paragon Customer Communications Limited

Registered Number: 07262428

## Consolidated Statement of Financial Position as at 30 June 2017

		30 June 2017 £'000	31 December 2016 £'000
	Note		
<b>Fixed Assets</b>			
Intangible assets	11	5,784	6,029
Tangible assets	13	6,520	7,488
Investments	14	224	202
		<u>12,528</u>	<u>13,719</u>
<b>Current Assets</b>			
Stocks	16	3,579	4,036
Debtors	17	40,574	39,056
Cash at bank and in hand	18	2,423	3,215
		<u>46,576</u>	<u>46,307</u>
Creditors: amounts falling due within one year	19	(22,136)	(46,059)
<b>Net Current assets</b>		<u>24,440</u>	<u>248</u>
<b>Total assets less current liabilities</b>		<b>36,968</b>	<b>13,967</b>
Creditors: amounts falling due after more than one year	20	(26,276)	(2,649)
<b>Provisions for liabilities</b>			
Other provisions	23	(2,709)	(2,809)
<b>Net Assets</b>		<u><u>7,983</u></u>	<u><u>8,509</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	30,419	30,419
Share premium account		30,901	30,901
Capital contribution reserve		1,557	1,141
Merger relief reserve		14,021	14,021
Profit and loss account		<u>(68,915)</u>	<u>(67,973)</u>
<b>Total equity</b>		<u><u>7,983</u></u>	<u><u>8,509</u></u>

The financial statements on pages 11 to 46 were approved and authorised for issue by the board and were signed on its behalf on

**J E C Walters**

Director

Date 28/3/18

The notes on pages 19 to 46 form part of these financial statements.

# Paragon Customer Communications Limited

Registered Number: 07262428

## Company Statement of Financial Position as at 30 June 2017

		30 June 2017 £'000	31 December 2016 £'000
	Note		
<b>Fixed Assets</b>			
Investments	14	45,523	45,523
<b>Current Assets</b>			
Debtors	17	29,667	30,490
Cash at bank and in hand	18	2,423	3,194
		<u>32,090</u>	<u>33,684</u>
Creditors: amounts falling due within one year	19	(60,955)	(52,757)
<b>Net Current liabilities</b>		<u>(28,865)</u>	<u>(19,073)</u>
<b>Total assets less current liabilities</b>		<b>16,658</b>	<b>26,450</b>
Creditors: amounts falling due after more than one year	20	(29,131)	(32,231)
<b>Net Liabilities</b>		<u>(12,473)</u>	<u>(5,781)</u>
<b>Capital and reserves</b>			
Called up share capital	24	30,419	30,419
Share premium account		30,901	30,901
Capital contribution reserve		1,127	838
Merger relief reserve		14,021	14,021
Profit and loss account		<u>(88,941)</u>	<u>(81,960)</u>
<b>Total equity</b>		<u>(12,473)</u>	<u>(5,781)</u>

The financial statements on pages 11 to 46 were approved and authorised for issue by the board and were signed on its behalf on

  
**J E C Walters**

Director

Date 28/3/18

The notes on pages 19 to 46 form part of these financial statements.



# Paragon Customer Communications Limited

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

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2017	30,419	30,901	1,141	14,021	(67,973)	8,509
<b>Total comprehensive income and loss for the 6 months period</b>	-	-	-	-	(942)	(942)
<b>Contribution by and distribution to the owners</b>						
Capital contribution in respect of stock incentive plan	-	-	416	-	-	416
<b>Total transactions with owners</b>	-	-	416	-	-	416
<b>At 30 June 2017</b>	<b>30,419</b>	<b>30,901</b>	<b>1,557</b>	<b>14,021</b>	<b>(68,915)</b>	<b>7,983</b>

The notes on pages 19 to 46 form part of these financial statements

# Paragon Customer Communications Limited

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

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2016	30,419	30,901	946	14,021	(63,936)	12,351
<b>Total comprehensive income and loss for the financial year</b>	-	-	-	-	<b>(4,037)</b>	<b>(4,037)</b>
<b>Contribution by and distribution to the owners</b>						
Capital contribution in respect of stock incentive plan	-	-	195	-	-	195
<b>Total transactions with owners</b>	-	-	<b>195</b>	-	-	<b>195</b>
<b>At 31 December 2016</b>	<b>30,419</b>	<b>30,901</b>	<b>1,141</b>	<b>14,021</b>	<b>(67,973)</b>	<b>8,509</b>

The notes on pages 19 to 46 form part of these financial statements

## Paragon Customer Communications Limited

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

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2017	30,419	30,901	838	14,021	(81,960)	(5,781)
<b>Total comprehensive expense and loss for the 6 months period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,981)</u>	<u>(6,981)</u>
<b>Contribution by and distribution to the owners</b>						
Capital contribution in respect of stock incentive plan	-	-	289	-	-	289
<b>Total transactions with owners</b>	<u>-</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>289</u>
<b>At 30 June 2017</b>	<u><b>30,419</b></u>	<u><b>30,901</b></u>	<u><b>1,127</b></u>	<u><b>14,021</b></u>	<u><b>(88,941)</b></u>	<u><b>(12,473)</b></u>

The notes on pages 19 to 46 form part of these financial statements

## Paragon Customer Communications Limited

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

	Called up Share Capital £'000	Share Premium Account £'000	Capital Contribution Reserve £'000	Merger Relief Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2016	30,419	30,901	731	14,021	(69,977)	6,095
<b>Total comprehensive expense and loss for the financial year</b>	-	-	-	-	(11,983)	(11,983)
<b>Contribution by and distribution to the owners</b>						
Capital contribution in respect of stock incentive plan	-	-	107	-	-	107
<b>Total transactions with owners</b>	-	-	107	-	-	107
<b>At 31 December 2016</b>	<b>30,419</b>	<b>30,901</b>	<b>838</b>	<b>14,021</b>	<b>(81,960)</b>	<b>(5,781)</b>

The notes on pages 19 to 46 form part of these financial statements

# Paragon Customer Communications Limited

## Consolidated Statement of Cash Flows for the 6 month period ended 30 June 2017

	Note	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
<b>Net cash from operating activities</b>	<b>25</b>	<b>3,745</b>	<b>11,971</b>
<b>Net cash from investing activities</b>			
Interest received	10	20	
Purchase of intangible assets	(319)	(25)	
Purchase of tangible assets	(572)	(3,249)	
Proceeds from sale of tangible assets/investment property	5	11,587	
Dividend received	200	200	
<b>Net cash used in investing activities</b>		<b>(676)</b>	<b>8,533</b>
<b>Cash flow from financing activities</b>			
Interest payment	(437)	(1,268)	
Repayment/(Receipt) of intercompany loan	(26,883)	(22,738)	
Proceeds from long term loan from immediate parent undertaking	23,635	-	
Proceeds from obligations under finance lease	-	1,866	
Repayment of obligations under finance lease	(176)	(99)	
<b>Net cash used in financing activities</b>		<b>(3,861)</b>	<b>(22,239)</b>
<b>Net decrease in cash and cash equivalent</b>		<b>(792)</b>	<b>(1,735)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>3,215</b>	<b>4,950</b>
<b>Cash and cash equivalents at 30 June and 31 December</b>		<b>2,423</b>	<b>3,215</b>
<b><u>Other information (Non statutory information)</u></b>			
Net Cash/3 <sup>rd</sup> party debt summary			
Cash and cash equivalents		2,423	3,215
Finance lease		(1,591)	(1,767)
<b>Net cash/3<sup>rd</sup> party debt</b>		<b>832</b>	<b>1,448</b>

# Paragon Customer Communications Limited

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

---

### 1. Accounting Policies

#### 1.1 Basis of preparation of financial statements

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

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the company's accounting policies (see note 2).

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

#### 1.2 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 FRS 102 "The Financial reporting Standard applicable in the UK and Republic of Ireland":

- The company has taken advantage of the exemption, under FRS 102 paragraphs 26.18(b), 26.19 – 26.21 and, 26.23, for certain disclosure requirements in respect of share based payments, where the share based payment concerns equity instruments of DST Systems, Inc. and the equivalent disclosures are included in the consolidated financial statements of ultimate parent company
- The company has taken advantage of the exemption, under FRS 102 para 33.7 from disclosing total compensation of key management personnel.
- The company has taken advantage of the exemption for qualifying entities from certain financial instrument disclosures, on the basis that the equivalent disclosures are included in the consolidated financial statements of the ultimate parent company.
- 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 Group Limited.
- The company has taken exemption from disclosing profit and loss and statement of cash flows of the company.

#### 1.3 Basis of consolidation

The consolidated financial statements present the results of the Group and its subsidiaries ("the Group"). Intercompany transactions and balances between Group companies are therefore eliminated in full. Accounting policies are uniform across the Group.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

# Paragon Customer Communications Limited

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

### 1. Accounting Policies (continued)

---

#### 1.4 Basis of consolidation (continued)

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

#### 1.5 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in joint ventures and associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Statement of Financial Position, the interests in joint ventures undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any premium on acquisition is dealt with in accordance with the goodwill policy.

#### 1.6 Turnover

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

##### *Print-mail*

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

##### *Services*

Turnover is recognised on delivery of digital media and associated products, as well as delivery services.

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

# Paragon Customer Communications Limited

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

### 1. Accounting Policies (continued)

---

#### 1.7 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 the Group's share 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 of 20 years.

##### Other intangible assets

Other intangible assets consist of software and is 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. Software is considered to have a finite useful life of 2 – 3 years.

#### 1.8 Tangible assets

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

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

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

The estimated useful lives range as follows:

Short-term leasehold property	-	shorter of the remaining lease period or 10 years
Plant and machinery	-	4 - 7 years
Motor vehicles	-	3 - 5 years
Fixtures, fittings & equipment	-	3 - 5 years
Computer equipment	-	2 - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.



# Paragon Customer Communications Limited

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

### 1. Accounting Policies (continued)

---

#### 1.9 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

#### 1.10 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

#### Valuation of investments

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

#### 1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

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

#### 1.12 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.

#### 1.13 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

# Paragon Customer Communications Limited

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

### 1. Accounting Policies (continued)

---

#### 1.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to and from 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 payables or receivables, 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 rate of interest that is not a market rate or in 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.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured at cost less impairment value for all other investments.

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

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

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

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

# **Paragon Customer Communications Limited**

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

### **1. Accounting Policies (continued)**

---

#### **1.15 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.

#### **1.16 Government grants**

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

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

#### **1.17 Foreign currency translation**

##### **Functional and presentation currency**

All operations are based in the UK with a GBP functional and presentational currency.

##### **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.

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.

#### **1.18 Finance costs**

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

# **Paragon Customer Communications Limited**

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

### **1. Accounting Policies (continued)**

---

#### **1.19 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.

#### **1.20 Pensions**

##### **Defined contribution pension plan**

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

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

#### **1.21 Interest income**

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

#### **1.22 Provision for liabilities**

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

#### **1.23 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 and the Group operate and generate income

# **Paragon Customer Communications Limited**

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

### **1. Accounting Policies (continued)**

---

#### **1.24 Current and deferred taxation (continued)**

Deferred tax balances are recognised in respect of all temporary 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to temporary differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can not control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 excluding goodwill 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.

# Paragon Customer Communications Limited

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

---

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

In preparing these financial statements the directors have made the judgements that accounting estimates are reasonable and prudent. Judgements made were as follow:

- Determine whether leases entered into by the Group 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 Group's tangible and intangible assets including goodwill. 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 13)

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.

##### Contract accounting

The Group applies its policies on turnover and contracts when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete and the profit margin achievable on each contract. The group has in place established internal review processes to ensure that the evaluation of costs and revenue is based upon appropriate estimates.

##### Provisions (see note 23)

The provision made for dilapidations has been based on management's best estimate of the costs that will be incurred in accordance with the contractual requirements. The appropriate discount rates have been selected based on the assumed timing of the cash flows in calculating the net present value of the obligations.

# Paragon Customer Communications Limited

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

### 3. Analysis of turnover

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

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Services	49,682	100,664
Printmail	30,203	61,926
Rent	-	75
	<u>79,885</u>	<u>162,665</u>

Analysis of turnover by country of destination

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
United Kingdom	78,924	160,267
Rest of Europe	549	1,471
Rest of the world	412	927
	<u>79,885</u>	<u>162,665</u>

### 4. Profit on sale of investment property

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Profit on sale of investment property	-	463

Profit on sale of investment property during the 6 months period was nil (financial year ending 31 December 2016: £463,000).

# Paragon Customer Communications Limited

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

### 5. Operating (loss)/profit

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

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Depreciation of tangible fixed assets:		
- owned assets	1,280	3,614
- under finance lease	260	311
Impairment of goodwill	-	6,658
Amortisation of goodwill	224	1,071
Amortisation of intangibles	181	325
Amortisation of government grants	(41)	(84)
<b>Fees payable to the Group's auditors and their associates for</b>		
- The audit of the company's financial statements	35	35
- The audit of the Group's subsidiaries pursuant to legislation	127	300
- Other services	-	15
- Taxation compliance services	-	6
Exchange differences	29	20
Defined contribution pension cost	431	877
<b>Operating lease costs</b>		
- Equipment	1,172	1,919
- Land and buildings	1,701	3,424
Loss/(profit) on disposal of fixed assets	155	(861)



# Paragon Customer Communications 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	25,265	46,796
Social security costs	2,503	4,551
Cost of defined contribution scheme	431	877
Share based payments	486	193
Redundancy	29	94
	<u>28,714</u>	<u>52,511</u>

The average monthly number of employees, including the directors, during the 6 months period was as follows:

	6 months ended 30 June 2017 No	Year ended 31 December 2016 No
Administration and sales	356	368
Operations	1,039	998
	<u>1,395</u>	<u>1,366</u>

### 7. Directors' remuneration

During the 6 months period, the total emoluments of £665,347 (financial year ending 31 December 2016 – £412,819) was received by one of the directors for his services as a director from the Group. The other directors were remunerated by other group companies and no recharges were made. It is not possible to apportion the proportion of these directors' work that was performed for the Group. The details of the director's remuneration is stated below:

	6 months ended 30 June 2017	Year ended 31 December 2016
Salary/allowance	131,964	231,496
Share-based payments	202,123	105,818
Bonus	331,260	75,505
	<u>665,347</u>	<u>412,819</u>

# Paragon Customer Communications Limited

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

### 8. Interest receivable and similar income

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Other interest receivable	<u>10</u>	<u>20</u>

### 9. Interest payable and similar charges

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Finance leases	22	-
Loans from group undertakings	<u>415</u>	<u>1,268</u>
	<u>437</u>	<u>1,268</u>

# Paragon Customer Communications Limited

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

### 10. Tax on (loss)/profit

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
<b>Corporation tax</b>		
Current tax on (loss)/profits for the year	(139)	316
Adjustments in respect of previous periods	107	249
	(32)	565
<b>Deferred tax</b>		
Origination and reversal of temporary differences	12	290
Changes to tax rates	-	(326)
Adjustment in respect of previous periods	10	143
	22	107
<b>Taxation on (loss)/profit</b>	<b>(10)</b>	<b>672</b>

#### Factors affecting tax charge for the period

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 20.00% (2016 - 20.25%). The differences are explained below:

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
<b>Loss before tax</b>	<b>(952)</b>	<b>(3,365)</b>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.50% (2016 - 20.00%)	(186)	(673)
<b>Effects of</b>		
Non-taxable income	(15)	(293)
Expenses not deductible for tax	74	1,636
Relief for share based payments	-	(63)
Effect of tax rate deduction on deferred tax	-	142
Adjustment relating to previous periods	117	(77)
<b>Total tax (credit)/charge for the period/year</b>	<b>(10)</b>	<b>672</b>

#### Factors that may affect future tax charges

Finance Act 2015 included legislation reducing the main UK corporation tax rate from 20% to 19%, effective from 1 April 2017. A further reduction to 18% was also enacted with an effective from date of 1 April 2020. The deferred tax balances have been re-measured at these rates as appropriate as they are the latest substantively enacted tax rates.

The Chancellor has announced that the main UK corporation tax rate will now be reduced to 17% with an effective from date of 1 April 2020. However, as this 17% rate had not been substantively enacted as at 30 June 2017 it has not been applied to any figures in these financial statements.

# Paragon Customer Communications Limited

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

### 11. Intangible assets

	Software £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January	7,186	58,353	65,539
Disposal	(159)	-	(159)
Additions	319	-	319
<b>At 30 June</b>	<b>7,346</b>	<b>58,353</b>	<b>65,699</b>
<b>Amortisation</b>			
At 1 January	6,747	52,763	59,510
Charge for the period	181	224	405
<b>At 30 June</b>	<b>6,928</b>	<b>52,987</b>	<b>59,915</b>
<b>Net book value</b>			
<b>At 30 June 2017</b>	<b>418</b>	<b>5,366</b>	<b>5,784</b>
At 31 December 2016	439	5,590	6,029

#### Company

The Company held no intangible assets as at 30 June 2017 (financial year ending 31 December 2016: £nil).

### 12. Company loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss of the parent company for the 6 months period was £6,981,000 (financial year ending 31 December 2016 - loss £11,983,000).

# Paragon Customer Communications Limited

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

## 13. Tangible assets

Group	Short term Leasehold Property £'000	Plant and Machinery £'000	Fixtures Fittings & equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>						
At 1 January 2017	6,980	21,069	2,596	3,173	55	33,873
Additions	25	117	-	430	-	572
Disposals	-	(7,588)	-	(201)	(16)	(7,805)
<b>At 30 June 2017</b>	<b>7,005</b>	<b>13,598</b>	<b>2,596</b>	<b>3,402</b>	<b>39</b>	<b>26,640</b>
<b>Accumulated depreciation</b>						
At 1 January 2017	5,525	16,264	1,841	2,746	9	26,385
Charge for the year	406	840	157	127	10	1,540
Disposals	-	(7,588)	-	(201)	(16)	(7,805)
<b>At 30 June 2017</b>	<b>5,931</b>	<b>9,516</b>	<b>1,997</b>	<b>2,672</b>	<b>3</b>	<b>20,120</b>
<b>Net book value</b>						
At 30 June 2017	1,074	4,082	598	730	36	6,520
<b>At 31 December 2016</b>	<b>1,455</b>	<b>4,805</b>	<b>755</b>	<b>427</b>	<b>46</b>	<b>7,488</b>

## Company

The Company has no tangible assets at 30 June 2017 (financial year ending 31 December 2016: £nil).

# Paragon Customer Communications Limited

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

### 14. Investments

Group	Investment in associates £'000	Investment in joint ventures £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	78	124	202
Share of profits	(16)	238	222
Dividends in the period	-	(200)	(200)
<b>At 30 June 2017</b>	<b>62</b>	<b>162</b>	<b>224</b>

Company	Shares in group companies £'000
<b>Cost</b>	
At 1 January and 30 June 2017	68,804
<b>Impairment</b>	
At 1 January 2017	23,281
Charge for the 6 months	-
<b>At 30 June 2017</b>	<b>23,281</b>
<b>Net book value</b>	
<b>At 30 June 2017</b>	<b>45,523</b>
At 31 December 2016	45,523

### Subsidiary undertakings

The following were the subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holdi ng	Principal activities
<b>Directly held:</b>				
dsicmm Group Limited	England & Wales	Ordinary	100%	Holding company
Paragon Customer Communications (Bristol) Limited	England & Wales	Ordinary	100%	Printing services
Paragon Customer Communications (Realty) Limited	England & Wales	Ordinary	100%	Real estate operations
Lateral Holdings (UK) Limited	England & Wales	Ordinary	100%	Holding company

# Paragon Customer Communications Limited

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

### 14. Investments (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activities
<b>Indirectly held:</b>				
Paragon Customer Communications (London) Limited	England & Wales	Ordinary	100%	Printing services
Paragon Customer Communications (Nottingham) Limited	England & Wales	Ordinary	100%	Printing services
Innovative Output Solutions (Manchester) Limited	England & Wales	Ordinary Preference	100% 100%	Dormant
Paragon Data Analytics Limited	England & Wales	Ordinary	100%	Data services
Lateral Group Limited	England & Wales	Ordinary	100%	Holding company
Pickfield Printing Company Limited	England & Wales	Ordinary	100%	Dormant

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

### Participating interests

#### Indirectly held:

#### Joint ventures

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

#### Associates

European Direct Mail Specialists Limited 5 White Oak Square, Swanley, Kent BR8 7AG	England & Wales	Ordinary	50%	Mailing and delivery services
Response Handling Centre Limited 5 White Oak Square, Swanley, Kent BR8 7AG	England & Wales	Ordinary	34%	Administration support for fund raising companies

# Paragon Customer Communications Limited

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

### 15. Investment property

#### Group

	30 June 2017 £'000	31 December 2016 £'000
At 1 January	-	3,413
Disposals	-	(3,413)
<b>At 30 June and 31 December</b>	<b>-</b>	<b>-</b>

The group's investment properties were disposed of during the financial year ending 31 December 2016. The profit on disposal of the investment property in 2016 amounted to £463,155

#### Company

The company held no investment property as at 30 June 2017 (2016: Nil)

### 16. Stocks

	Group 30 June 2017 £'000	Group 31 December 2016 £'000	Company 30 June 2017 £'000	Company 31 December 2016 £'000
Raw materials and consumables	2,265	2,702	-	-
Work in progress (goods to be sold)	1,314	1,334	-	-
	<b>3,579</b>	<b>4,036</b>	<b>-</b>	<b>-</b>

The difference between purchase price or production cost of stocks and their replacement cost is not material.



# Paragon Customer Communications Limited

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

### 17. Debtors

	Group 30 June 2017 £'000	Group 31 December 2016 £'000	Company 30 June 2017 £'000	Company 31 December 2016 £'000
<b>Due after more than one year:</b>				
Amounts owed by group undertakings	-	-	17,000	17,000
<b>Due within one year:</b>				
Trade debtors	26,182	25,929	-	-
Amounts owed by group undertakings	-	15	11,593	12,895
Amounts owed by joint ventures and associated undertakings	188	98	-	-
Other debtors	2,059	2,638	298	283
Corporation tax	125	-	-	-
Prepayments and accrued income	8,828	7,162	760	296
Deferred taxation (note 22)	3,192	3,214	16	16
	<u>40,574</u>	<u>39,056</u>	<u>29,667</u>	<u>30,490</u>

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

Amounts owed by group undertakings, joint ventures and associates are unsecured, repayable on demand and do not bear any interest, except for the £17 million loan to dsicmm Group Limited falling due in 2020 and bears interest at the Bank of England rate plus 1.0%.

### 18. Cash at bank and in hand

	Group 30 June 2017 £'000	Group 31 December 2016 £'000	Company 30 June 2017 £'000	Company 31 December 2016 £'000
Cash at bank and in hand	<u>2,423</u>	<u>3,215</u>	<u>2,423</u>	<u>3,194</u>

# Paragon Customer Communications Limited

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

### 19. Creditors: Amounts falling due within one year

	Note	Group 30 June 2017 £'000	Group 31 December 2016 £'000	Company 30 June 2017 £'000	Company 31 December 2016 £'000
Obligations under finance lease and hire purchase contracts	21	359	364	-	-
Trade creditors		8,001	3,206	195	-
Capital grant		28	69	-	-
Amounts owed to group undertakings		-	27,549	59,573	51,083
Amounts owed to joint ventures and associated undertakings		2	4	-	-
Taxation and social security		3,755	3,929	63	79
Other creditors		377	1,005	252	228
Accruals and deferred income		9,614	9,933	872	1,367
		<u>22,136</u>	<u>46,059</u>	<u>60,955</u>	<u>52,757</u>

Included in amounts owed to group undertakings in 2016 is £26.7 million owed to DST Process Solutions Limited that bears interest at the Bank of England base rate + 2% per annum, subject to a minimum rate of 3% per annum. The loan was repaid fully on 4<sup>th</sup> May 2017 with funds from Grenadier Holdings PLC, the new direct parent company of Paragon Customer Communications Limited. The new loan at 2.25% interest rate per annum is repayable in May 2019.

### 20. Creditors: Amounts falling due after more than one year

	Note	Group 30 June 2017 £'000	Group 31 December 2016 £'000	Company 30 June 2017 £'000	Company 31 December 2016 £'000
Obligations under finance lease and hire purchase contracts	21	1,232	1,403	-	-
Long term loan		23,635	-	23,635	-
Amounts owed to group undertakings		-	-	5,496	32,231
Other creditors		747	549	-	-
Accruals and deferred income		662	697	-	-
		<u>26,276</u>	<u>2,649</u>	<u>29,131</u>	<u>32,231</u>

# Paragon Customer Communications Limited

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

### 21. Finance Lease

During the 2016 financial year, the group entered into a finance lease agreement with Kodak for the purchase of a Prosper 6000 Commercial Press. The lease bears interest at 2.53% per annum and repayable over 5 years on a quarterly basis.

The future minimum lease payments are as follows:

	<b>Group 30 June 2017 £'000</b>	<b>Group 31 December 2016 £'000</b>	<b>Company 30 June 2017 £'000</b>	<b>Company 31 December 2016 £'000</b>
Not later than 1 year	396	396	-	-
Later than 1 year and not later than 5 years	1,287	1,485	-	-
<b>Total gross payments</b>	<b>1,683</b>	<b>1,881</b>	-	-
Less: finance charges	(92)	(114)	-	-
<b>Carrying amount of liability</b>	<b>1,591</b>	<b>1,767</b>	-	-

### 22. Deferred taxation Group

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
At 1 January	3,214	3,322
Charged to the profit or loss	(22)	(108)
<b>At 30 June and 31 December</b>	<b>3,192</b>	<b>3,214</b>

The deferred tax asset is made up as follows:

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
Accelerated capital allowances	3,129	3,183
Deferred non-taxable income	-	134
Short term timing differences	63	46
Intangibles, customer list and trade name	-	(149)
	<b>3,192</b>	<b>3,214</b>

# Paragon Customer Communications Limited

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

### 23. Provision for liabilities

#### Group

	Dilapidation provisions £'000
At 1 January 2017	2,809
Credited to the profit or loss	(100)
<b>At 30 June 2017</b>	<b>2,709</b>

#### Dilapidation provisions

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

### 24. Called-up Share Capital

	30 June 2017 £'000	31 December 2016 £'000
<b>Allotted, called up and fully paid</b>		
3,037,857,226 (2016: 3,037,857,226) - A Ordinary shares of £0.01 each	30,379	30,379
2,840,971 (2016: 2,840,971) - B Ordinary shares of £0.01 each	28	28
1,226,689 (2016: 1,226,689) - Deferred shares of £0.01 each	12	12
	<b>30,419</b>	<b>30,419</b>

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

# Paragon Customer Communications Limited

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

### 25. Reconciliation of operating profits to net cash inflow from operating activities

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
<b>Group</b>		
Loss for the financial year	(942)	(4,037)
Adjustments for:		
Tax on profit	(10)	672
Net interest expense	427	1,248
Income from participating ventures	(222)	(162)
Impairment of goodwill	-	6,658
<b>Group operating (loss)/profit</b>	<b>(747)</b>	<b>4,379</b>
Depreciation of tangible assets	1,540	3,925
Amortisation of goodwill	224	1,071
Amortisation of intangible assets	181	325
Release of capital grant	(41)	(84)
Share based payments movements	416	195
Loss/(profit) on disposal of fixed assets and investment property	155	(1,324)
<b>Operating cash inflow before working capital movements</b>	<b>1,728</b>	<b>8,487</b>
Decrease/(increase) in stocks	457	(104)
Decrease in debtors	(1,432)	1,078
Increase/(decrease) in creditors and provisions	2,992	2,510
<b>Working capital movements</b>	<b>2,017</b>	<b>3,484</b>
<b>Net cash inflow from operating activities</b>	<b>3,745</b>	<b>11,971</b>

# Paragon Customer Communications Limited

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

### 26. Financial instruments

#### Group

The group has the following financial instruments:

	Note	30 June 2017 £'000	31 December 2016 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Trade receivables	17	26,182	25,929
Other receivables	17	2,059	2,638
Amounts owed by group undertakings	17	-	15
Amounts owed by joint ventures and associated undertakings	17	188	98
		<u>28,429</u>	<u>28,680</u>
<b>Financial liabilities measured at amortised cost</b>			
Taxation and social security	19	(3,755)	(3,929)
Trade creditors	19	(8,001)	(3,206)
Accruals and deferred income	19	(9,614)	(9,933)
Amounts owed by joint ventures and associated undertakings	19	(2)	(4)
Finance lease	19/20	(1,591)	(1,767)
Intercompany loan	19/20	(23,635)	(27,549)
Other creditors	19/20	(1,124)	(1,554)
		<u>(47,750)</u>	<u>(47,942)</u>

#### Company

The company has the following financial instruments:

	Note	30 June 2017 £'000	31 December 2016 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Other receivables	17	298	283
Amounts owed by group undertakings	17	28,593	29,895
		<u>28,891</u>	<u>30,178</u>
<b>Financial liabilities measured at amortised cost</b>			
Trade creditors	19	(195)	-
Other creditors	19	(252)	(228)
Taxation and social security	19	(63)	(79)
Accruals and deferred income	19	(872)	(1,367)
Intercompany loan	19/20	(88,704)	(83,314)
		<u>(90,086)</u>	<u>(84,988)</u>

# Paragon Customer Communications Limited

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

### 27. Shared based payments

The total charge for the 6 months period relating to share based remuneration for the group was £486,328 (financial year ending 31 December 2016: £194,851) and £360,384 (financial year ending 31 December 2016: £106,242) for the company.

The restricted stock plan is no longer operational under the new ownership of Paragon Customer Communications Limited's Group subsequent to the sale of Output Group on 4<sup>th</sup> May 2017.

### 28. Pension commitments

The group operates a defined contribution pension scheme for its directors and staff. The pension cost in the 6 months period was £430,838 (financial year ending 31 December 2016 - £877,036). At the end of the year £202,805 (financial year ending 31 December 2016 - £135,059) was owed to the defined contribution scheme providers. This was included in accruals falling due in less than one year.

### 29. Commitments under operating leases

	Land and buildings 30 June 2017 £'000	Others 30 June 2017 £'000	Land and buildings 31 December 2016 £'000	Others 31 December 2016 £'000
<b>Expiry date:</b>				
Not later than 1 year	3,452	1,905	3,584	2,196
Later than 1 year and not later than 5 years	10,028	3,991	10,967	4,486
Later than 5 years	8,496	-	9,508	-
	<u>21,976</u>	<u>5,896</u>	<u>24,059</u>	<u>6,682</u>

# Paragon Customer Communications Limited

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

### 30. Related party transactions

The following transactions took place with the group joint venture and associates.

		6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
dsi Billing Services Limited (50% ownership)	Sales	674	1,057
	Purchases	(22)	(56)
	Management charges	29	37
	Dividend received	200	200
European Direct Mailing Specialists Limited (50% ownership)	Sales	35	238
	Management charges	-	9
Response Handling Centre Limited	Management charges	-	3

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

	30 June 2017 £'000	31 December 2016 £'000
dsi Billing Services Limited	(2)	(4)
dsi Billing Services Limited	152	56
European Direct Mailing Specialists Limited	36	42

### 31. Controlling party

The immediate parent undertaking is Grenadier Holdings PLC with 100% holdings of the share capital of Paragon Customer Communications Group.

The ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in United Kingdom. Grenadier Holdings PLC, a wholly owned subsidiary of Paragon Group Limited, acquired Paragon Customer Communications Limited on 4<sup>th</sup> May 2017. Prior to acquisition by Grenadier Holdings PLC on the 4<sup>th</sup> May 2017, the ultimate controlling party was DST Systems Inc., a company incorporated in the United States of America.



# Paragon Customer Communications Limited

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

### 32. Underlying operating profit and EBITDA (non-statutory information)

#### Underlying operating profit

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Operating loss	(747)	(2,279)
Add back:		
Share based payments	409	-
Goodwill impairment	-	6,658
Retention bonus	556	398
Underlying operating profit	<u>218</u>	<u>4,777</u>

#### Underlying EBITDA

	6 months ended 30 June 2017 £'000	Year ended 31 December 2016 £'000
Operating loss	(747)	(2,279)
Add back:		
Share based payments	416	-
Retention bonus	549	398
Depreciation of tangible assets	1,540	3,925
Amortisation of goodwill	224	1,071
Amortisation of intangibles	181	325
Amortisation of government grants	(41)	(84)
Goodwill impairment	-	6,658
Loss/(profit) on disposal of fixed assets and property	155	(1,324)
Completion adjustments	273	-
Acquisition adjustments	894	-
Underlying EBITDA	<u>3,444</u>	<u>8,690</u>