

**Paragon Customer
Communications (Realty) Limited**

Report and Financial Statements

For The 6 Month Period Ended

30 June 2017

Company Number 03010097

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Paragon Customer Communications (Realty) Limited

Company Information

Directors	P J Crean L T Salmon J E C Walters
Company secretary	R J Cahill
Registered number	03010097
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 (Realty) Limited

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Paragon Customer Communications (Realty) Limited

Strategic Report for the 6 months period ended 30 June 2017

Principal activity

The company's principal activity was that of real estate operations. The company owned properties that were leased in the prior financial year to Paragon Customer Communications (Bristol) Limited, a fellow group subsidiary, and external clients. These properties were disposed of in April 2016, subsequent to the disposal, the company has not traded.

Sale of Output UK Business

On the 14 June 2016 DSTI Systems Inc. announced to the market that it was pursuing the divesture of its U.K. Customer Communications business, the DST Output Limited Group. The divesture 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 loss for the 6-month period ended 30 June 2017 is £6,000 (year ended 31 December 2016 - profit of £1,388,000) and no dividend has been proposed or paid during the period (year ended 31 December 2016 - £Nil). The net assets position at the end of the period is £12,727,000 (31 December 2016 - £12,733,000)

The company's investment property was sold in April 2016 and the pre-tax profit on disposal amounted to £1,245,000.

Key performance indicators

Paragon Customer Communications (Realty) Limited is managed by the directors in accordance with the strategies of its parent company, Paragon Customer Communications Limited (the "group"). 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.

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.

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 year 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 (Realty) Limited

Directors' Report 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.

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.

Statement of directors' responsibility in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. 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.

Directors' qualifying third party indemnity provisions

Paragon Customer Communications Limited maintains liability insurance for the directors of Paragon Customer Communications (Realty) 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 (Realty) 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.

Paragon Customer Communications (Realty) Limited

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

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 (Realty) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Paragon Customer Communications (Realty) 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 loss 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, 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 (Realty) Limited

Independent Auditors' Report to the Members of Paragon Customer Communications (Realty) 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 2, 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 (Realty) Limited

Independent Auditors' Report to the Members of Paragon Customer Communications (Realty) 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 (Realty) 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		-	201
Administrative expenses		(4)	(32)
Operating (loss)/ profit	5	(4)	169
Profit on sale of investment property	6	-	1,245
(Loss)/ profit on ordinary activities before taxation		(4)	1,414
Tax on (loss)/ profit on ordinary activities	8	(2)	(26)
(Loss)/ profit for the financial period/year		(6)	1,388

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

All amounts relate to continuing operations.

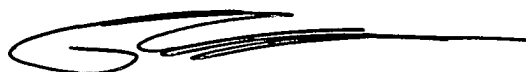
The notes on pages 10 to 16 form part of these financial statements.

Paragon Customer Communications (Realty) Limited
Registered number:03010097

Statement of Financial Position
As at 30 June 2017

	Note	30 June 2017 £000	31 December 2016 £000
Current assets			
Debtors: amounts falling due within one year	9	12,750	12,862
		<u>12,750</u>	<u>12,862</u>
Creditors: amounts falling due within one year	10	(23)	(129)
		<u>(23)</u>	<u>(129)</u>
Net current assets		12,727	12,733
Total assets less current liabilities		12,727	12,733
Net assets		<u>12,727</u>	<u>12,733</u>
Capital and reserves			
Called up share capital	11	352	352
Share premium account		3,496	3,496
Profit and loss account		8,879	8,885
Total equity		<u>12,727</u>	<u>12,733</u>

The financial statements on pages 7 to 16 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 10 to 16 form part of these financial statements.

Paragon Customer Communications (Realty) Limited

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	352	3,496	8,885	12,733
Comprehensive loss for the period				
Loss for the 6-month period	-	-	(6)	(6)
Total comprehensive loss for the period	-	-	(6)	(6)
At 30 June 2017	<u>352</u>	<u>3,496</u>	<u>8,879</u>	<u>12,727</u>

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	352	3,496	7,497	11,345
Comprehensive income for the year				
Profit for the financial year	-	-	1,388	1,388
Total comprehensive income for the year	-	-	1,388	1,388
At 31 December 2016	<u>352</u>	<u>3,496</u>	<u>8,885</u>	<u>12,733</u>

The notes on pages 10 to 16 form part of these financial statements.

Paragon Customer Communications (Realty) Limited

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

1. General information

Paragon Customer Communications (Realty) Limited is a private limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the company information page. The nature of the company's operations and its principal activities are outlined in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 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.

2.3 Consolidation

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

2.4 Turnover

Rental income in respect of property leases is recognised as turnover in the profit and loss account on a straight line basis over the period to which it relates. Rental income received for future periods is deferred to the period to which it relates.

Paragon Customer Communications (Realty) Limited

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

2. Accounting policies (continued)

2.5 Investment property

The company's property was formerly classified as investment property as it was leased out to other group and external companies under an operating lease.

Investment property is carried at fair value at period end with any gains and losses arising from changes in the fair value of investment property recognised in the profit and loss account, through the statement of comprehensive income.

2.6 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.

2.7 Reserves

The company's capital and 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 profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Paragon Customer Communications (Realty) 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

Given the nature of the company's activities, the directors consider that there are no significant judgments or sources of estimation uncertainty involved in preparing these financial statements.

4. Turnover

In the prior period the company leased its real estate to group companies and external clients under operating leases up until 1 April 2016 when the property was sold. The aggregate amount of rentals received under operating leases for the 6 months ended 30 June 2017 was £Nil (year ended 31 December 2016 - £0.2m).

5. Operating (loss)/ profit

The operating (loss)/ profit is stated after charging:

	6 months ended 30 June 2017 £000	Year Ended 31 December 2016 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	4	10

6. 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	-	1,245

Paragon Customer Communications (Realty) Limited

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

7. Employees

The company has no employees other than the directors (2016 - none), who did not receive any remuneration (2016 - £Nil).

8. Tax on (loss)/profit

	6 months ended 30 June 2017 £000	Year ended 31 December 2016 £000
Corporation tax		
Current tax on (loss)/ profits for the period	-	19
Adjustments in respect of prior periods	2	4
Total current tax	<u>2</u>	<u>23</u>
Deferred tax		
Origination and reversal of timing differences	-	19
Adjustment in respect of prior periods	-	(16)
Total deferred tax	<u>-</u>	<u>3</u>
Tax on (loss)/ profit	<u>2</u>	<u>26</u>

Paragon Customer Communications (Realty) Limited

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

8. Tax on (loss)/profit (continued)

Factors affecting tax charge for the period/ year

The tax assessed for the period is lower than (2016 - lower 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
(Loss)/ profit before taxation	<u>(4)</u>	<u>1,414</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	(1)	283
Effects of:		
Non-taxable income	-	(249)
Expenses not deductible for tax	1	4
Adjustment relating to prior periods	2	(12)
Total tax charge for the period/ year	<u>2</u>	<u>26</u>

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.

Paragon Customer Communications (Realty) Limited

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

9. Debtors: Amounts falling due within one year

	30 June 2017 £000	31 December 2016 £000
Amounts owed by group undertakings	12,747	12,861
Other debtors	3	1
	<u>12,750</u>	<u>12,862</u>

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

10. Creditors: Amounts falling due within one year

	30 June 2017 £000	31 December 2016 £000
Amounts owed to group undertakings	1	129
Other taxation and social security	22	-
	<u>23</u>	<u>129</u>

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

11. Called up share capital

	30 June 2017 £000	31 December 2016 £000
Authorised, allotted, called up and fully paid		
352,498 (2016 - 352,498)- Ordinary shares of £1 each	<u>352</u>	<u>352</u>

12. 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.

Paragon Customer Communications (Realty) Limited

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

13. 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 4th May 2017. Prior to this, the ultimate controlling party was DST Systems, Inc., a company incorporated in the United States of America.