

**Paragon Customer
Communications (Realty) Limited
(formerly DST Realty (UK) Limited)**

Report and Financial Statements

Year Ended

31 December 2016

Company Number 03010097



Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) 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 Surrey E2CV 7HN

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Contents

	Page(s)
Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 17

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Strategic Report For the Year Ended 31 December 2016

The directors present their strategic report of Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited) for the year ended 31 December 2016.

Business review

The profit for the financial year is £1,388,000 (2015 - £540,000) and no dividend has been proposed or paid during the year (2015 - £Nil).

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 (formerly DST Realty (UK) Limited) is managed by the directors in accordance with the strategies of its parent company, Paragon Customer Communications Limited (formerly DST Output 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 (formerly DST Output Limited), which include those of the company, are discussed in Paragon Customer Communications Limited's (formerly DST Output Limited) 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 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 27 September 2017 and signed on its behalf.



J E C Walters
Director

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Directors' Report For the Year Ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal activity

The company's principal activity was that of real estate operations. The company owned properties that were leased in the financial year to Paragon Customer Communications (Bristol) Limited (formerly DST Output (Bristol) Limited), a fellow group subsidiary, and external clients.

These properties were disposed of in April 2016.

Sale of Output UK Business

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

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

Directors

The following directors held office during the year 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)

Directors' responsibilities statement

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

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

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

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Directors' Report (continued)
For the Year Ended 31 December 2016

Directors' indemnity

Paragon Customer Communications Limited (formerly DST Output Limited) maintains liability insurance for the directors of Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited). For the purpose of the Companies Act 2006, Paragon Customer Communications Limited (formerly DST Output Limited) provides indemnity insurance for the directors and secretary of Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) 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.

Statement of 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 27 September 2017 and signed on its behalf.



J E C Walters
Director

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

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

Report on the financial statements

Our opinion

In our opinion Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)'s financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year ended;
- the Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on matter prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the directors' report. We have nothing to report in this respect.

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

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

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the strategic report and directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sarah Quinn (Senior Statutory Auditor)
for and on behalf of Pricewaterhousecoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

Date: 27 September 2017

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover		201	780
Gross profit		<u>201</u>	<u>780</u>
Administrative expenses		(32)	(57)
Fair value movements on investment property		-	118
Operating profit	5	<u>169</u>	<u>841</u>
Profit on sale of investment property	6	1,245	-
Interest payable and similar charges	8	-	(196)
Profit on ordinary activities before taxation		<u>1,414</u>	<u>645</u>
Tax on profit on ordinary activities	9	(26)	(105)
Profit for the financial year		<u><u>1,388</u></u>	<u><u>540</u></u>

There was no other comprehensive income for 2016 (2015 - £Nil).

All amounts relate to continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

**Paragon Customer Communications (Realty) Limited (formerly DST
Realty (UK) Limited)**
Registered number:03010097

**Statement of Financial Position
As at 31 December 2016**

	Note	2016 £000	2015 £000
Fixed assets			
Investment property	10	-	9,750
Current assets			
Debtors: amounts falling due within one year	11	12,862	2,432
		<u>12,862</u>	<u>2,432</u>
Creditors: amounts falling due within one year	12	(129)	(837)
		<u>12,733</u>	<u>1,595</u>
Net current assets		<u>12,733</u>	<u>1,595</u>
Total assets less current liabilities		<u>12,733</u>	<u>11,345</u>
Net assets		<u>12,733</u>	<u>11,345</u>
Capital and reserves			
Called up share capital	14	352	352
Share premium account		3,496	3,496
Profit and loss account		8,885	7,497
Total equity		<u>12,733</u>	<u>11,345</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 7 to 17 were approved and authorised for issue by the board of directors and were signed on its behalf by



J E C Walters
Director

Date: 27 September 2017

The notes on pages 10 to 17 form part of these financial statements.

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £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	352	3,496	8,885	12,733

Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2015	352	3,496	6,957	10,805
Comprehensive income for the year				
Profit for the financial year	-	-	540	540
Total comprehensive income for the year	-	-	540	540
At 31 December 2015	352	3,496	7,497	11,345

The notes on pages 10 to 17 form part of these financial statements.

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

1. General information

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited) is a 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 directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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 31 December 2016 and these financial statements may be obtained from Evolution House, Choats Road, Dagenham, Essex, RM9 6BF.

2.3 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 (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Investment property

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

Investment property is carried at fair value at year 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.

2.5 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

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

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

2.6 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 (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

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

In preparing these financial statements, the directors have had to make the following judgements:

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

4. Turnover

All turnover is derived from a single class of business within the United Kingdom. The company leases its real estate to group companies and external clients under operating leases. The fair value of assets held for use as operating leases was £Nil (2015 - £9.8m). The aggregate amount of rentals received under operating leases was £0.08m up to 1 April 2016 when the property was sold (2015 - £0.78m).

5. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	10	10

6. Profit on sale of investment property

	2016 £000	2015 £000
Profit on sale of investment property	1,245	-

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

7. Employees

The company has no employees other than the directors (2015 - none), who did not receive any remuneration (2015 - £Nil).

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

8. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	-	196
	-	196

9. Tax on profit

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	19	105
Adjustments in respect of prior years	4	2
Total current tax	23	107
Deferred tax		
Origination and reversal of timing differences	19	-
Adjustment in respect of prior years	(16)	(2)
Total deferred tax	3	(2)
Tax on profit	26	105

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

9. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016	2015
	£000	£000
Profit before taxation	1,414	645
Profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	283	131
Effects of:		
Non-taxable income	(249)	(26)
Expenses not deductible for tax	4	-
Adjustment relating to prior years	(12)	-
Total tax charge for the year	26	105

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 (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

10. Investment property

	Land and buildings £000
Fair value	
At 1 January 2016	9,750
Disposals	(9,750)
	-
At 31 December 2016	-

The company's investment property was disposed of in April 2016 for a cash value of £11.2m gross. The valuation at 31 December 2015 was undertaken by Colliers International Valuation UK LLP, a firm of independent valuers registered with the RICS Valuer Registration Scheme (VRS), in accordance with the RICS Valuation Professional Standards (incorporating International Valuation Standards) of January 2014 issued by the Royal Institution of Chartered Surveyors in the United Kingdom.

The yield range of 7% to 7.75% (2015 - 7% to 7.75%) to the current rental income was used to arrive at the fair value.

11. Debtors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed by group undertakings	12,861	2,392
Other debtors	1	37
Deferred tax asset	-	3
	12,862	2,432

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

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2015 - £Nil).

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

12. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	129	630
Other taxation and social security	-	13
Accruals and deferred income	-	194
	129	837
	129	837

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

13. Deferred tax

	2016 £000	2015 £000
At beginning of year	3	-
Charged to profit or loss	(3)	3
	-	3
	-	3

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	-	3
	-	3
	-	3

14. Called up share capital

	2016 £000	2015 £000
Authorised, allotted, called up and fully paid		
352,498 (2015 - 352,498) Ordinary shares of £1 each	352	352
	352	352
	352	352

Paragon Customer Communications (Realty) Limited (formerly DST Realty (UK) Limited)

Notes to the Financial Statements For the Year Ended 31 December 2016

15. 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 (formerly DST Output Limited).

16. Controlling party

The immediate parent undertaking is Paragon Customer Communications Limited (formerly DST Output Limited), a company incorporated in England and Wales.

Paragon Customer Communications Limited (formerly DST Output 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 (formerly DST Output Limited) can be obtained from Evolution House, Choats Road, Dagenham, Essex, RM9 6BF.

The ultimate parent undertaking and controlling party is DST Systems, Inc., a company incorporated in the United States of America up until 3 May 2017. Subsequent to acquisition by Grenadier Holdings PLC on the 4 May 2017, the ultimate parent undertaking and controlling party is Paragon Group Limited, a company incorporated in United Kingdom.

17. Post balance sheet event

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.