2022

Report and Financial Statements

PCC Global Plc
30th June 2022

PARAGON
Customer Communications

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Presentation of results and
annual review

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Strategic Report

2022 Financial Highlights

Revenue
€1.1bn
+15%

Underlying EBITDA[2]
€102m
+21%

Cash on Hand
€219m

Proforma EBITDA
€107m

Net Debt/Proforma EBITDA Multiple
2x

People
7,400+

Net Debt
€232m

Businesses Acquired
4
1 additional businesses acquired post year end

2. Underlying EBITDA is defined in Note 2(s) on page 101
4. Net debt is defined in Note 2(s) on page 101

Our Locations

PCC Global Plc

Belgium

Czech Republic

France

Germany

Ireland

Italy

Luxembourg

Netherlands

Poland

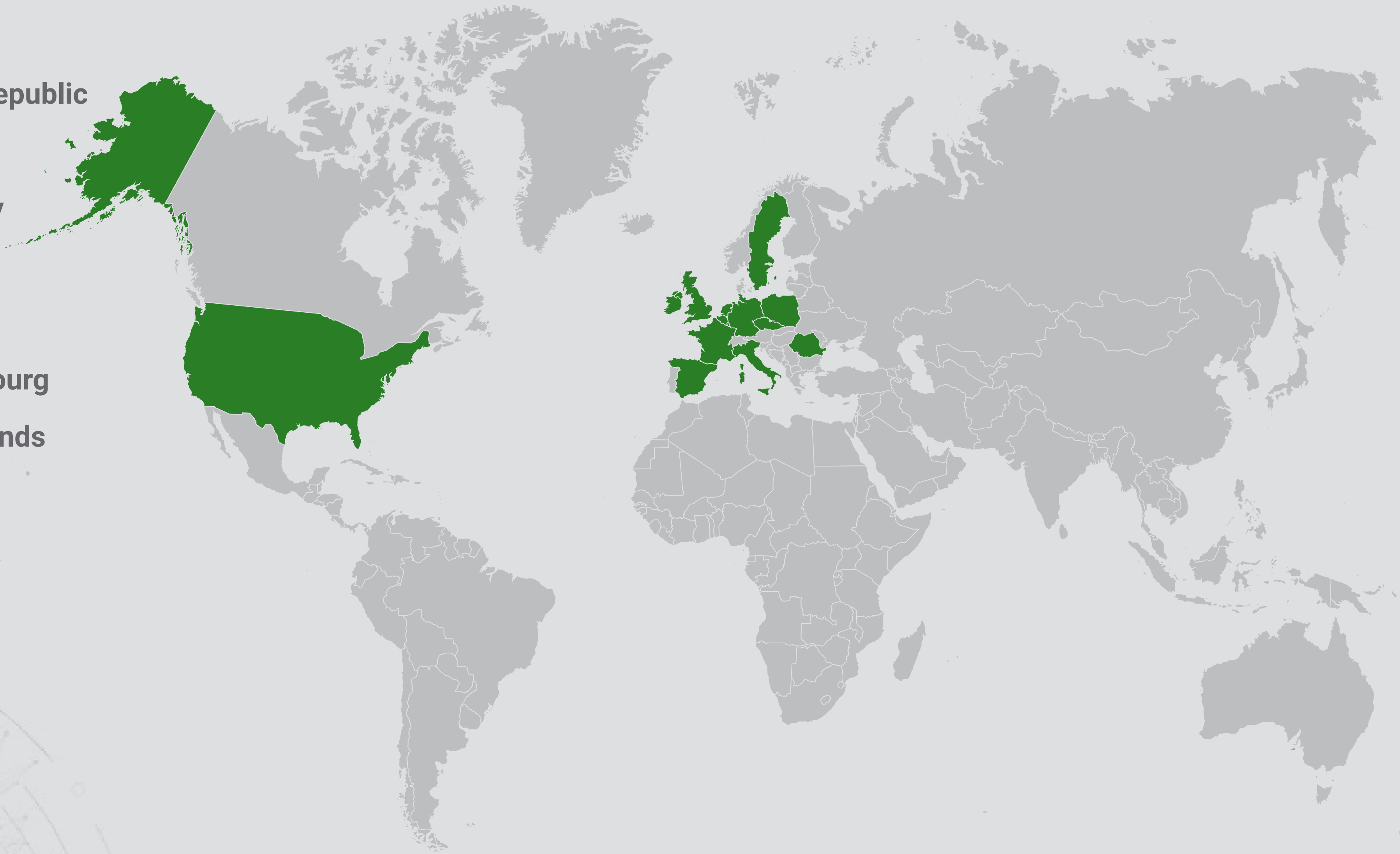
Romania

Spain

Sweden

UK

USA



Our Service Offering

We go to market through seven distinct business lines

1 Consulting & Agency

3%

- Creative services
- Campaign Management
- Digital Transformation
- Data Analytics
- Automation

Customers:

2 Customer Communications

53%

- Outbound Marketing Communications
- Regulatory Communications
- Transactional Communications

Customers:

3 Lead Supply

12%

- End to end Management of Marketing / Promotional Materials

Customers:

4 Supply Chain Management

6%

- Warehousing
- Fulfilment
- Co-packing
- Logistics

Customers:

5 Business Process Outsourcing

6%

- Multi-channel Inbound
- Back Office
- Voting Solutions

Customers:

6 Workplace Solutions

5%

- Onsite Creative & Presentation Services
- Mailroom
- Production
- Concierge
- Recruitment

Customers:

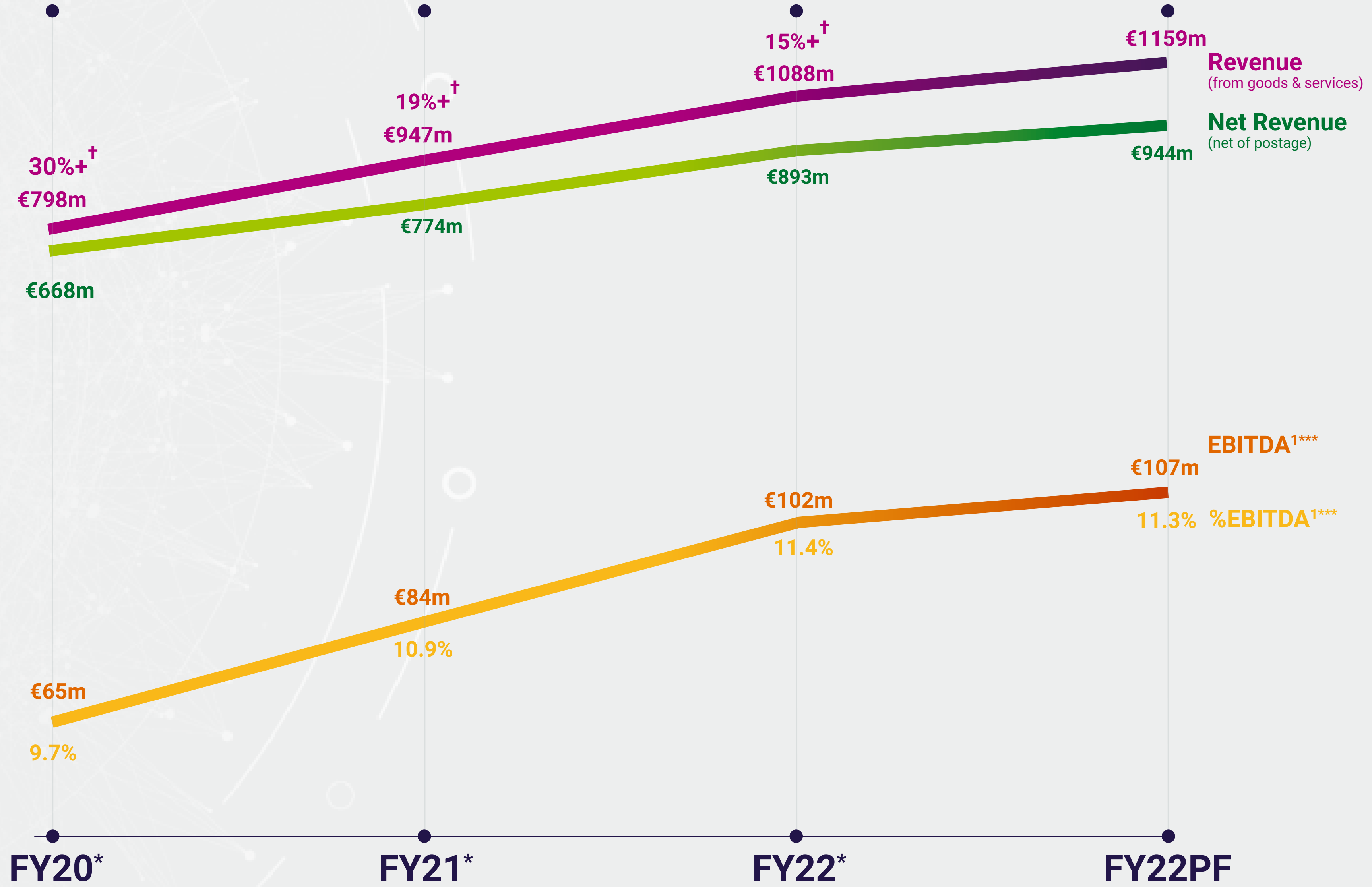
7 Print Solutions

15%

- Stationery
- Forms
- Labels
- Envelopes
- Security Products

Customers:

PCC Global Plc continues to deliver strong growth in line with our strategic objectives...



* Actual figures reported
** PF (unaudited) includes the full year impact of acquisitions completed in FY22

*** EBITDA[1] is defined in page xx. % EBITDA[1] is expressed as a % of Net Revenue.
† Annual Growth Rate

Statement from Our CEO

"Our unique positioning drives long term client loyalty."

It has been my privilege to lead an outstanding team of people in Paragon over the past year. Our people have surpassed all expectations in a market environment that has continued to challenge our ability to adapt, evolve and innovate. The resilience and ambition that our people continue to show is remarkable.

In a year when we were delighted to have achieved Revenue in excess of €1.088 billion for the first time, we also want to thank our clients for their ongoing support for our business. Our unique positioning drives long term client loyalty, and this is demonstrated by the fact that our top 200 customers have an average relationship length with Paragon of more than 15 years.

Our supply chain partners have also provided invaluable support over the past year, and I would like to take this opportunity to thank them for this ongoing service.

Strategic Direction

Paragon Customer Communications (PCC Global Plc) is one of four primary divisions within the Paragon Group of companies. Over the last number of years, we have separated the organisations operations of these businesses to allow clear focus by each division on their respective markets and to allow us to capitalise on the potential for each business. Up to now, we have published an annual report for Paragon Group Limited (PGL) which included financial details for each of the four divisions. As PCC Global Plc has grown significantly, and as we look to continued growth of PCC Global Plc over the next number of years, we have decided to issue a separate annual report for PCC Global Plc to reflect the scale and nature of the business and to address the interests of all stakeholders including customers, suppliers, employee etc. This document is the first annual report to be published separately for PCC Global Plc.

We now go to market and organise ourselves through seven distinct lines of business:

1. **Consulting & Agency** – our Consulting & Agency group for strategy, creative services, digital products and platforms, data and analytics, marketing activation and professional services
2. **Paragon Customer Communications** – outbound multichannel marketing, regulatory and transactional communications
3. **Paragon Lead Supply** – end to end management of marketing, print and promotional materials from sourcing, production, finishing, storage and distribution
4. **Paragon Supply Chain Management** – data-driven fulfilment, co-packing and logistics
5. **Paragon Business Process Outsourcing** – multichannel inbound communications and multishore back-office processing of correspondence, claims, invoices, payments and voting solutions
6. **Paragon Workplace Solutions** – onsite creative and presentation services, mailroom, production, concierge and recruitment
7. **Paragon Print Solutions** – trade printing of stationery, forms, labels, envelopes and security products

The Value proposition for each of these lines of business, as well as for Paragon as a company, is shown in the graphic overleaf:

We go to market through four geographic regions: UK, Ireland & Luxembourg; Western Europe; DACH & CEE and The Netherlands & Belgium with strong leadership teams in place across the whole business. In each region, we have reorganised the company around our seven lines of business and where necessary, we have simplified the legal entity structure to facilitate the repositioning.

We also have a small core central team focussing on the management of strategic initiatives which cut across all four region and all seven lines of business in Procurement, Technology, Human Resources and Finance.

Our Values:

INSPIRING
We will inspire each other in our work and be an inspiration to our customers, fulfilling our promise of high quality in everything we do.
1

EMPOWERING
We will empower our teams to deliver with care and precision, challenging the status quo and finding new ways to grow our company and each other. We encourage healthy debate and differences of opinion.
2

CONFIDENT
We are confident in our ability to deliver our very
best in all we do, holding ourselves accountable for results.
3

CUSTOMER FOCUSSED
We are committed to listen and respond positively to our customers' needs, building lasting relationships with our clients and associates.
4

THE BEST PEOPLE
We are passionate about our people. We will develop, inspire, and create opportunity to progress and grow, adding value to our business and customers.
5

DIVERSITY AND INCLUSION
Paragon has made great strides with our Diversity & Inclusion programmes, including our Inclusion Council, our recent partnership with Stonewall, and our appetite to have those often-uncomfortable discussions to ensure all our people feel valued and supported.
6

Paragon has what we believe is a unique culture which has developed over the past twenty years as the business has continued to successfully diversify and grow.

We are an ambitious company and our culture is summarised in our six core values outlined in the graphic above.

Financial Performance

We continue to focus on driving strong growth and during the past year, our revenues of €1.088 billion represented growth of more than 15% on the previous year. Of this increase in revenues, nearly 80% was derived from organic growth, with just over 20% coming from acquisitions made during the year.

The underlying EBITDA performance of €101.9 Million was also very robust in a difficult trading environment, and is testimony to all the hard work and commitment of the people in our business. This is an increase in UEBITDA of more than 21% on the previous financial year.

We made a financial loss of €3.5m during the year because of non-underlying items, as detailed in CFO statement.

The ultimate financial performance measure for the business, Free Cashflow generation, improved by more than €50M to €89.3M in FY22.

Organic Growth

We have successfully retained all the large contracts that were due for renewal in the last financial year. We have also secured several large new business wins, which are highlighted in the Business Review section of this document.

Growth via Acquisitions

We completed four acquisitions in the financial year: DG3 UK, Williams Lea CCM, Reason and The Lettershop Group. The DG3 and Williams Lea acquisitions have been consolidated into our UK Customer Communications operations and the Reason transaction provides additional capability, talent and firepower for our DCX Consulting & Agency. The Lettershop Group increases our share

2. Underlying EBITDA is defined in Note 2(s) on page 101

of the Direct Mail market in the UK, and also brings the opportunity to accelerate the development of our ecoMLR packaging product, which is the alternative to plastic packaging in the e-commerce and food home delivery industry.

Investing in our People

We continue to invest in our people. I am delighted that the following initiatives that have either been launched, expanded or extended in the last financial year:

- partnership with 'Great Place to Work'
- 'myParagon' employee app
- Reverse Mentoring programme
- Young Paragon Network
- European Leadership Development Programme

These initiatives are covered in more detail later in this document.

Sustainability

Over the past few years the Paragon business has grown significantly both organically and via acquisitions. As well as increasing the size of our business, this has also diversified our product and service offering and expanded our supply chain. Accompanying our own growth has been a massive increase in the importance of sustainability – to individuals, to businesses and to governments.

Paragon recognises that, as well as the risks facing our planet and our societies, there is a tremendous opportunity to change the way we do business and embrace new technologies as we determine how we will collaborate with our stakeholders to deliver the changes needed to move to to support the UK government commitment to Net Zero by 2050, circular economy and help create a fairer, more equitable society.

Our approach to Sustainability is based around three pillars: **Planet, People and Partners.**

2. Underlying EBITDA is defined in Note 2(s) on page 101

The Sustainability section of this report covers the impressive range of Sustainability initiatives that Paragon has implemented in the last year. Highlights include our businesses in France and the UK both having been re-accredited with the 'Platinum' medal on the Ecovadis Sustainability Rating in the last financial year, with a Sustainability performances deemed 'advanced' in all four categories: Environment, Labour and Human Rights, Ethics and Sustainable Procurement. This Platinum medal places them in the top 1% of over 100,000 companies across 200 industries in more than 160 countries. Our DACH & CEE and Netherlands & Belgium regions have achieved the 'Gold' Ecovadis medal in the past year, which places them in the top 5% in the world.

All of our stakeholders are engaged with our Environment, Social and Governance (ESG) agenda and continue to drive our business to improve.

Investing in our Infrastructure

As part of our ongoing development of the business, we re-invest more than 25% of proforma UEBITDA back into the business in capital expenditure projects each year.

We continue to invest in our core Technology platforms, in particular in our Paragon OnePlatform (PoP) multi-channel customer communications engine, which has seen a significant increase in the number of client 'SaaS' subscriptions over the past year. We have developed a new workflow technology to support our Inbound BPO services (integr8) and are developing a next generation Marketing Smart Cloud technology suite which complements our Paragon e-commerce Platform (PeP) and E-Pro service and procurement portals.

We opened two new sites in France: A Supply Chain Management centre in the Lille area, and a Transactional Customer Communications site near to Nice. Both sites are now fully operational and will facilitate significant future growth.

Looking Forward to FY23 and Beyond

Our medium-term goal is to double the profitability of the business over the next three years through a combination of:

- Accelerated organic growth in our existing markets
- Geographic expansion
- Continuous margin improvement
- Selective acquisitions

In addition to the growth we expect to continue to see in our core markets in Europe, we intend to establish a significant presence in the North American market in the next 1-2 years.

We believe that the repositioning of the business as a leading international provider of technology-enabled business critical services will create new opportunities to achieve our financial goals.

I want to thank our people for their continuing commitment and effort. Our people will always go the extra step to deliver for our customers.

I am delighted to hand the leadership over to Jeremy Walters who assume responsibility on January 1, 2023. Jeremy has been an outstanding leader and has driven the growth of our UK, Ireland and Luxembourg region for the past number of years. I am fully confident that Jeremy will continue to drive the Group to the next level.

Mike Gordon
Chief Executive Officer
Paragon Customer Communications

PCC Financial Overview

The Group's businesses recorded strong advances in the financial year ended 30 June 2022.

Laurent Salmon
CFO Paragon Group

"The Group's businesses recorded strong advances in the financial year ended 30 June 2022."

The results quoted in the commentary are extracted from the financial statements presented in this annual report. As the commentary is presented in Euro millions, there are minor rounding differences in the additions and subtractions of reported amounts, as each amount is based on its source amount presented in Euro thousands in the financial statements.

Income Statement Highlights	FY ended 30 June 2022 € million	FY ended 30 June 2021 € million
Revenue from sale of goods and services	**1,088.1**	**946.5**
Operating costs	986.2	862.3
EBITDA[1]	**101.9**	**84.2**
Depreciation and amortisation	63.6	50.5
Corporate charges	7.4	7.1
EBIT/Operating profit	30.9	26.6
Finance cost net of income	19.1	4.8
Profit before tax	11.9	21.8
Income tax (charge) / credit	(1.8)	(0.1)
Profit for the year before non-underlying items	**10.1**	**21.9**
Non underlying items charges	(13.6)	(23.7)
(Loss) for the year	(3.5)	(1.8)
Cash and Net borrowing highlights		
Operating inflows	75.5	50.1
Free Cashflow	89.3	67.5
Cash and Cash equivalents	219.4	96.2
Net Borrowings	(231.6)	(168.7)

The Key Performance Indicators in the above table includes both Alternative Performance Measures such as underlying and proforma figures and Generally Accepted Accounting Principles measures as explained at the end of this statement.

Revenue from sale of goods and services increased by €141.6 million, a 15% increase from €946.5 million in the financial year ended 30 June 2021 ("FY 2021") to €1,088.1 million in the financial year ended 30 June 2022 ("FY 2022"). This was based on €30.8 million of in-year acquisitions and €110.8 million of organic growth. Costs before depreciation and amortisation increased by €123.8 million, an increase of 14.4%, from €862.3 million in FY 2021 to €986.2 million in FY 2022, as follows:

Costs before depreciation and amortisation in FY 2022 expressed as a percentage of revenue, as displayed in the above table, were in line with FY 2021 results with savings in material and payroll costs as a percentage of revenue offset by increases in other operating costs.

1. EBITDA is defined in Note 2(s) on page 101
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Costs before depreciation and amortisation highlights	FY ended 30 June 2022 € million	% of revenue in FY 2022	FY ended 30 June 2021 € million	% of revenue in FY 2021
Revenue from sale of goods and services	1,088.1	100%	946.5	100%
Material Costs	529.8	48.7%	471.2	49.8%
Payroll Costs	344.9	31.7%	300.3	31.7%
Other operating costs	111.5	10.2%	90.8	9.6%
Costs before depreciation and corporate charges	986.2	90.6%	862.3	91.1%

In respect of payroll costs, our average monthly number of employees was 7,442 in FY 2022, including 6,269 production employees and 1,173 indirect employees, compared to 6,929 employees in FY 2021, including 5,750 production employees and 1,179 indirect employees.

EBITDA[2] in Paragon Customer Communications excluding corporate charges increased by €17.7 million, a 21.2% increase from €84.2 million in FY 2021, to €101.9 million in FY 2022. During the year we benefitted from COVID-19 business in the UK.

Depreciation and amortisation increased by €13.2 million, an increase of 26.1%, from €50.5 million in FY 2021, representing 5.3% of revenue from sales of goods and services in FY 2021, to €63.6 million, representing 5.8% of revenue from sales of goods and services in FY 2022. The increase in Depreciation and amortisation reflects these increases:

- Depreciation of property, plant and equipment increased by €2.7 million from €13.8m in FY 2021 to €16.5 million in FY 2022, as the cost or valuation of property, plant and equipment increased from €186.5 million at the start of the year to €194.7 million at the end of the year
- Amortisation of intangible assets increased by €7.0 million, from €15.7 million in FY 2021 to €22.7 million in FY 2022, as the cost or valuation of intangibles increased from €113.8 million at the start of the year to €152.8 million at the end of the year
- Amortisation of right-of-use assets increased by €3.6 million, from €20.9 million in FY 2021 to €24.6 million in FY 2022, as the cost or valuation of right-of-use leased assets increased from €111.1 million at the start of the year to €119.3 million at the end of the year.

As a result of the above revenue and cost developments, the EBIT / Operating profit increased by €4.2 million, a 16% improvement, from an operating profit of €26.6 million in FY 2021 to €30.9 million in FY 2022.

Net finance costs increased by €14.3 million, from €5.3 million in FY 2021 to €19.7 million in FY 2022. The increase is mainly due to

- Bond interest in FY22 of €11.6m due to bond raising done during the course of the financial year
- Foreign currency losses on retranslation of intercompany loans of €0.4 million reported in FY 2022 compared to FY21 foreign currency gains of €1.7 million in FY21
- Increase in bank loans and overdrafts of €1.8m from €2.8m in FY21 to €4.6m in FY22 due to variable interest increase in both the UK and the Eurozone

After finance costs and income taxation, the profit for the year before non-underlying items was €10.1 million in FY 2022 compared to €21.8 million in FY 2021, mainly due to the additional depreciation and interest costs.

Non-underlying items

The Group has adopted an accounting policy and Income Statement format that seeks to highlight significant items of income and expense within the Group results for the year. The Directors believe that this presentation provides a more useful analysis, especially in light of its very acquisitive strategic trend.

Such items may include significant restructuring and integration costs, profits or losses on disposal or termination of operations or significant contracts, litigation costs and settlements, profit or

Non-underlying (credits)/charges that arose are as follows	2022 €'000 € million	2021 €'000 € million
Redundancy and related charges	13,040	19,198
Costs of industrial relocation, restructuring and consolidation	2,578	7,450
Other	246	307
Gain on acquisition	(2,442)	-
Non-underlying net expenses impacting EBITDA[1]	**13,422**	**26,955**
Corporate Charges	3,132	-
Gain on asset disposals	(1,416)	(283)
Non-underlying net expenses/(gains)	**15,138**	**26,672**
Income tax credit	(1,584)	(2,987)
	13,554	**23,685**

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loss on disposal of investments, significant impairment of assets and acquisition related profits or losses.

The Directors use judgement in assessing these particular items, which by virtue of their scale and nature, are disclosed in the Income Statement and in the notes to the financial statements as non-underlying items. The non-underlying expenses / (gains) in FY 2022 and FY 2021 were as follows:

The non-underlying expenses net of gains and after taxation decreased by €10.1 million, from a net expense in FY 2021 of €23.7 million to a net loss of €13.6 million in FY 2022, reflecting the following expense and gain increases and decreases:

- Redundancy and related charges which include redundancy, payroll and related charges that arise from the closure of locations and the reduction of staff resources at various locations decreased by €6.2 million, from €19.2 million in FY 2021 to €13.0 million in FY 2022
- Costs of industrial relocation, restructuring and consolidation includes the charges, other than redundancy, payroll and related charges, arising from the closure of locations, relocation of activities between sites and new activity start-up losses decreased by €4.9 million, from €7.5 million in FY 2021 to €2.6 million in FY 2022
- Gains on acquisition related to bargain purchases arise in respect of acquired companies, when the sum of the fair values of the assets and liabilities recognised at their fair value at the acquisition date in accordance with IFRS 3 is greater than the purchase consideration payable in respect of the acquisition. The gain on acquisition related to bargain purchases increased by €2.4m, from €Nil in FY 2021, to €2.4 million in FY 2022
- Gain on asset disposals increased by €1.1 million from €0.3 million in FY21 to €1.4 million in FY22.
- The income tax credit related to the above expenses net of gains decreased by €1.4 million, from €3 million in FY 2021 to €1.6 million in FY 2022

As a result of the above revenue and cost developments, the loss for FY 2022 was €3.5 million compared to the FY 2021 loss of €1.8 million.

Cash Flow and Financing Review

The Group's operating cash inflows before movements in working capital increased by €27.5 million, from €50 million in FY 2021, to €75.5 million in FY 2022.

These results demonstrated that operating profits in FY 2022 funded the redundancy and restructuring costs incurred in FY 2022 to streamline post M&A operations.

The Group's cash generated from operations "Free cash flow", including working capital movements, was €89.3 million in FY 2022 compared to €37.5 million in FY 2021. In FY 2022, our funds invested in working capital was €13.8 million. The €126.8 million generated over these two years from operations is an excellent result.

Our net cash used in investing activities increased by €31.7 million, from €26.6 million invested in FY 2021 to €58.4 million invested in FY 2022. Net acquisition costs were €13.5 million and investments in property, plant and machinery were €47.5 million. We also generated €1.8 million from asset sales.

In FY 2022, we repaid €40.4 million of our borrowings of which €25.6 million were repayments of the capital element of lease liabilities.

In FY 2022, our proceeds from borrowings were €16.3 million.

PCC Global Plc received proceeds from Bonds, net of deferred fees, of €175.6 million.

A dividend of €50 million was paid to Grenadier Holdings plc.

Net current assets were €70.5 million at year-end (2021: €159 million net current liabilities). We had considerable cash balances on hand of €219.4 million. (2021: €96.2 million).

Despite the net liability position created by the unrecognised fair value merger reserve (as explained in note 1) and application of predecessor accounting, the balance sheet remains strong and we remain well positioned.

The Group has the financial capability to support its ambitious organic and M&A development strategies.

Cash balance and Net Borrowings

The Group continues to have the financial capability to support its ambitious organic and M&A development strategies.

The Group's cash balance has increased to €219.4 million in FY 2022 from €96.2 million in FY 2021, a €123.2 million increase.

This variance has mainly been generated by issuing an additional €180 million of EuroPP Bonds on the Luxembourg Stock Exchange (LuxSE), reduced by a dividend payment of €50 million to Grenadier Holdings Plc, as well as other variances such as positive operating cashflow and other debts repayments during this financial year FY2022.

Net borrowings at the end of FY 2022 were €231.6 million compared to €168.7 million at the end of FY 2021. The increase of €62.9 million included an additional €180 million of new EuroPP Bond issued on the LuxSE in July 2021.

Financial and Operational Discipline

We continue to manage the Group according to robust operational and financial disciplines and apply this approach as we acquire and integrate businesses. We prepare and execute detailed post acquisition plans to extract operational and procurement synergies identified during comprehensive due diligence processes. Continuous Improvement Programmes are operated across Paragon and are introduced in acquired companies to ensure that they adhere to the Group's relentless push towards greater

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operational efficiency. All Group companies operate with the discipline of monthly management reporting and performance and outlook reviews, with specific focus on sales development and pipeline, cost control management, cash flow forecasting, and working capital management. Our capital expenditure planning is based on strict return on investment parameters.

First time consolidation and predecessor accounting

This is PCC Global Plc's first set of consolidated accounts, having not been prepared previously. PCC Global Plc acquired its shareholding from Grenadier Holdings PLC, and other common control companies. This does not constitute a business combination under IFRS 3 'Business Combinations' as it is effectively a combination under common control.

In preparing the consolidated financial statements group reconstruction accounting has been applied. There is currently no guidance in IFRS on the accounting treatment for combinations among entities or businesses under common control. IAS 8 requires management, if there is no specifically applicable standard or interpretations, to develop a policy that is relevant to decision-making needs of users and that is reliable. Considering the facts and circumstances management has decided to apply a method broadly described as predecessor accounting. The principles of predecessor accounting are:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference on first time combination is recognised in a separate reserve called Unrecognised Fair Value Merger Reserve

Use of Alternative Performance Measures (APMs) - Underlying and Proforma Figures

Due to the Group's continuous acquisition strategy and the Bond covenant calculation requirement for investors, the Directors consider the use of APMs such as underlying and proforma figures to be fundamental to an understanding of the Group's performance.

These APMs have been prepared to facilitate understanding of the Group performance and position. Naturally they reflect the circumstances of the Group which can differ from other companies.

These APMs should be read in conjunction with GAAP measures and are not intended to be a replacement of GAAP measures.

Due to the Group's continuous acquisition strategy, it would be incomplete to focus exclusively on APMs or company statutory performance. APMs are used to supplement GAAP measures and satisfy banks' as well as bondholder investors' comprehension of the business by offering a more complete reading of its normalised performance.

These are defined in note 2(s) of the financial statements, as well as being highlighted in the Consolidated Income Statement of the financial statements.

Although the Consolidated Statement of Financial Position includes the impact of recent acquisitions, the Consolidated Income Statement does not include a full 12 months of trading from acquisitions made during the financial year. Consequently, we use an APM with a 12 months proforma Income Statement to enable a comparison of annual performance to be made. The Group's strategy on market consolidation inevitably leads to considerable restructuring and integration costs. This includes a mix of one-off gains and charges that are non-recurring in nature. These are considered to be non-underlying due to their nature, size, or incidence. These are included in the APM non-underlying items and are summarised in Note 8 of the financial statements. APMs such as Underlying EBITDA[2] and EBITDA[1], which are stated after adjusting for non-underlying items, to assist with understanding of performance. We use this APM to enable a comparison of performance between years once these one-off items have been taken into account.

Laurent Salmon
Chief Financial Officer
Paragon Group

Driving Growth Through Acquisitions

Driving Growth Through Acquisitions

John Rogers
Executive Director, Corporate Development

"We continued to maintain our discipline in the acquisition process through rigorous due diligence programs and detailed post acquisition planning."

FY22 was another busy year for the Paragon acquisitions team marked by extensive activity in the North American market and support for corporate development activities for the PCC business.

We completed several successful transactions in PCC business. A significant part of our year was spent working on one large transaction in particular. Earlier this year, PCC was revealed publicly as one of two bidders in the competitive bidding process to privatise RR Donnelley, a NYSE-listed company five times the size of PCC. The acquisition would have brought together Europe's market leader, PCC, with RRD, the US, Canada, Latam and Asian market leader in several verticals including marketing solutions, transaction services, BPO and supply chain solutions. We proactively pursued this transaction. After placing two bids, our Board concluded that our win probability did not fit our criteria and the transaction value began to exceed our returns criteria. Our active participation in this process has provided Paragon with enhanced knowledge and critical experience of North American larger transactions.

In parallel, PCC continued to apply our proven approach to acquisitions and during the fiscal year we completed a number of important acquisitions, building our size and scale, growing our market share, boosting our service offerings, technology, and digital capabilities.

We also took advantage of opportunistic situations with low entry multiples to pursue specific objectives to expand into new product lines and acquire new capabilities, this was especially true of the acquisition of The Lettershop Group as detailed below.

We continued to maintain our discipline in the acquisition process through rigorous due diligence programs and detailed post acquisition planning including preparation of comprehensive synergy extraction programs. We continued to seek companies with management that are aligned with our strategy and culture which is central to our buy, build and grow strategy.

The Paragon acquisitions team remained highly active during this period reviewing many opportunities and in line with our rigorous process several projects did not materialise, for reasons, such as high value expectations from seller; excessive competition for a potential target; and lack of cultural and strategic alignment with target management. Financial sponsors and private equity firms provided even tougher competition through their increased presence in the market, exacerbated by their ability to access an abundance of funding. We are satisfied that our rigorous approach and discipline ensures that we find the best opportunities to help us successfully deliver on our buy, build, and grow strategy. This discipline will be even more critical as we enter into a more challenging economic period which will also deliver more opportunities for acquisition.

Acquisitions this fiscal year

DG3's UK operations (DG3) – Effective December 1st, 2021, Paragon acquired the UK business of DG3 Leycol, adding £23 million of business that operates from sites in Dagenham, close to Paragon Customer Communications' flagship site in Essex, and in Gillingham, Kent. The acquisition adds further transactional and commercial print capabilities to Paragon Customer Communications (PCC), specialising in delivering regulatory compliance, marketing, and business applications for clients across the financial services sector, including high value books and report and accounts work. It will also continue to work for DG3 clients on behalf of the US group.

DG3 operates a fleet of HP Indigo presses under a highly automated workflow in Dagenham and a sophisticated litho operation in Kent, which installed a five-colour KBA Rapida 106 in 2019, earning KBA UK's Production Excellence Award later that year. DG3 is positioned to pick up work that has not been a comfortable fit in Paragon's high efficiency production set up and would serve as a centre for excellence in high-value commercial print. The acquisition was highly synergistic due to Paragon's ability to consolidate the two DG3 sites, Paragon's superior supply chain terms and conditions as well as an excellent complimentary customer base including St James Place & Goldman Sachs.

Williams Lea CCM Limited (WLCCM) – Effective April 1st, 2022, Paragon acquired WLCCM, which is the Customer Communications Division of Williams Lea Tag Group in the UK. With locations in Normanton, Norwich, and Loughborough, the addition of WLCCM's UK operations further enriches Paragon's market-leading customer communications proposition, expanding market share and adding about £25m of revenue annually. Acquisition by Paragon was timely as WLCCM was poised for growth following migration of their IT infrastructure to AWS and transformation of their customers over last two years.

WLCCM is a trusted digital transformation partner and has an impressive history of working with high-profile clients from the financial services, legal, and professional services sectors including NatWest, Virgin Money, Capital One, Aviva and the Student Loans Company. These high-profile clients represent some of the largest Transactional contracts in the UK market. The acquisition brings exciting opportunities to collaborate with these new clients as well as extending relationships with shared clients.

With Reason Limited (Reason) – Effective January 26th, 2022, Paragon acquired Reason, a UK-based agency that designs, builds, and scales digital products that transform businesses. The acquisition forms part of Paragon's long-term strategy and will bring new skillsets and expertise to the company while providing development opportunities for Reason employees, and scale, global presence and broader strategic offerings to Reason's existing client base which includes names such as Levis, UBS, T-mobile and Alix Partners. For example, Reason's award digital platform built for Levis enables access to data sets to augment data decisions and allowing Levis to reduce the amount of unsold stock.

Reason will introduce new capabilities and expertise to Paragon and its clients in experience design, software engineering and digital transformation. The company's history of collaborating with clients in the retail and financial services sectors will allow Paragon to deepen its relationship in these markets, broadening its client portfolio and offering newly enhanced solutions and consultancy to more companies, on a global scale.

The Lettershop Group (TLG) – Effective June 15th, 2022, Paragon acquired TLG, a direct mail specialist producing innovative, environmentally conscious direct mail marketing solutions for a diverse and high-profile client base. TLG's Leeds site and expertise, steeped in its 136-year heritage, enhances Paragon's current market-leading offerings. In this strategic acquisition, TLG and its 142 UK-based employees will become part of Paragon Customer Communications UK, Ireland, and Luxembourg.

The acquisition brings with it the ECO MLR product line, a high-growth sustainable packaging solution. ECO MLR is a fully recyclable non plastic alternative to padded envelopes, replacing single use plastics. The product also reduces air shipped versus corrugated due to flexibility and ability to compact, further reducing its carbon footprint.

Looking Ahead - Outlook FY23 & beyond

Although the past year has seen a moderate level in actual number of acquisitions compared to the previous year, the activity on transactions was much more intense due to the major effort on the RRD project. The major US transaction experience has significantly enhanced the acquisitions and the PCC management teams' knowledge, experience of the North America market.

North America remains a priority for PCC though headwinds such as the strengthening US dollar making acquisitions more expensive as well as the increasing interest rate environment make the cost of financing more expensive. Despite these headwinds, valuations will decline while opportunities to acquire assets cheaply will increase as companies in some of our sectors struggle financially. With our strong balance sheet, we remain well position to acquire valuable assets at low entry multiples.

The total addressable market opportunity in Europe and the US for BPO, marketing and transaction services is more than £180 billion in terms of size and remains highly fragmented. As a result, consolidation opportunities will continue to present themselves for the foreseeable future and there will be larger scale acquisitions available. PCC will remain focused on the global technology services sector seeking to take advantage of the high growth in digital services, cloud services, BPO, digital customer experience and continued trend in outsourcing and offshoring. As banks and large insurers look to outsource their inhouse transaction services, this will drive additional acquisition opportunities.

PCC will continue to move across and up the value chain from physical to digital services and solutions as we seek to become more of one stop shop for our larger customers in providing end-to-end customer communications.

We remain agile in our approach to acquisitions and have the financial stability to complete acquisitions in fast-paced scenarios. Our strategic acquisitions pipeline amounts to several billion of combined target revenue is growing more than ever and providing greater prospects for the group in the coming year. As a result, we are confident in achieving our next milestone of doubling the profit delivered in the business in the next 2 to 3 years and in parallel significantly increasing the size of PCC.

Business Reviews

UK, Ireland & Luxembourg

Jeremy Walters
CEO PCC UK, Ireland and Luxembourg

"This year has also witnessed strong growth in the way we service our clients, particularly around the number of our clients who now buy more than one service from us."

Evolving our Business Strategy

This year has seen significant change for Paragon in the UK, Ireland and Luxembourg, which saw us realigning in line with the wider Paragon business and defining a new strategy that will deliver our proposition based on our seven lines of business. These new lines of business reflect the increasing diversity of our overall proposition, and they also provide a template for further expansion, as we grow existing business through innovation and acquisition.

The introduction of this new go to market approach will position Paragon as a broader, technology-enabled international business services group, and will allow us to deliver enhanced business performance.

Growth

This year has seen significant growth through four strategic acquisitions: Williams Lea CCM, The Lettershop Group, DG3 Leycol and Reason. Each acquisition has brought considerable experience and expertise into our business, and these businesses will allow us to broaden our customer base while consolidating our best-in-class manufacturing capabilities. As well as highly skilled and dedicated people, these new businesses will also bring more products and services to offer to our clients, in particular the digital solutions delivered by Reason, and the growth of our sustainable packaging solutions that was enabled by the acquisition of The Lettershop Group.

This year has also witnessed strong growth in the way we service our clients, particularly around the number of our clients who now buy more than one service from us. This marks an impressive shift in how we operate, and demonstrates that we have been able to get closer to our clients as they emerged from the coronavirus pandemic. In the last year, the strength of our client relationships has been demonstrated with several multi-million-pound contract renewal, including EDF, The Department for Work and Pensions, and the Very Group.

We have seen strong organic growth in Paragon Workplace Solutions where we have won new business with several global clients including property giant JLL, for whom we are now offering a service in North America, EMEA and APAC. Similarly, Celerity's growth in North America has been very strong and our Image Factory business will drive growth in our Lead Supply line of business, particularly in the retail sector. Elsewhere in our business, Devonshire's strong growth has seen our recruitment agency opening two new hubs in Ireland and Luxembourg, increasing the scope of their work and ensuring they can work more closely with our clients outside the UK.

People

Nothing this business achieves is possible without the contribution of our colleagues, whatever their role. We want to establish Paragon as a place where people want to work, with inclusion, diversity and sustainability as a priority, and to lead our industry in these areas.

After the world emerged from the coronavirus pandemic, we adapted to a new workplace framework. We ensured policies and procedures were revised to support colleagues with flexible working patterns to provide a positive work-life balance.

We also introduced regular colleague communications to help keep our people connected and feeling empowered as part of a larger workplace, despite working longer periods in isolation. These communications include a 'Daily Giggle' update, monthly business updates from the regional leadership team, a peer-to-peer colleague newsletter, regular mental health communications and interactive drop-in workshops.

We recognise that each employee's unique experiences, perspectives and viewpoints increase our ability to create and deliver the best possible service to our clients. With this aim, our Inclusion Council has continued to help foster an environment that attracts the best talent, values diversity of life experiences and perspectives, and encourages innovation.

The programmes through which we help our people to learn and develop have progressed at pace. The Ignite apprenticeship programme has gone from strength to strength, with several new cohorts of apprentices having taken their first steps with the business in our Dagenham and Nottingham sites over the last year.

We also began a partnership with the West Ham United Foundation, which saw us working together to increase the scope of our apprenticeship scheme and help us reach more people to have a positive impact in our community. People across the organisation have taken part in our other training programmes, including Quantum, Young Paragon, and the European Leaders Group.

We are a business which cares about the communities in which we operate, and nothing demonstrated this better than the project we embarked on to share part of our unused apprentice levy with small businesses, helping them to secure funding for apprentices as well as training and development for their staff.

Sustainability

Sustainability is about more than just our carbon footprint. It is also about people, our communities, and the impact we have on the world around us at a human level. In addition to launching our Net Zero Plan this year, the UK, Luxembourg and Ireland region has also retained EcoVadis Platinum status, completed a Carbon Disclosure Project for the first time, made great strides with our Diversity and Inclusion agenda, and started benchmarking ESG performance in our supply chain.

Reducing Carbon and Energy Management

Our Carbon Net Zero Plan is aligned with the Science Based Targets Initiative (SBTi) Net Zero Standard and commits to a 46.2% carbon reduction across Scope 1, 2 and 3 emissions by 2030, followed by a 90% reduction by 2050, with remaining emissions removed through credible offsetting schemes, against a baseline year of 2019/2020. Since the baseline reporting period of 2019/2020 an 11% reduction in Scope 1 and 23% reduction in Scope 2 emissions has been delivered.

Diversity and Inclusion

The UKIL Diversity and Inclusion Forum has delivered some really powerful programmes, including our Reverse Mentoring programme. This six-month programme has seen colleagues from minority groups acting as mentors to those with influence. Reverse mentoring switches the roles, with board members and executive leaders being mentored by someone more junior than themselves to provide fresh insight and share lived experiences. Over 60 employees took part with over 200 hours of mentoring sessions. The programme was extremely well received with an NPS of 68 and 95% of participants rating their session as either “good” or “very good”.

Technology

We have enjoyed impressive organic growth this year with our technology-led approach. By winning long-term contracts for multichannel communications platforms, sold as SaaS for regulated customers in the utilities and financial services sectors, we have proven that our investment is working. We appointed our new Chief Technology Officer, Stephen Lester to enable more customer focussed technology solutions. We have a number of new technology releases planned that will extend the value we provide and increase our ability to help our customers transform their businesses.

We recognise that the key to our success is the unique combination of our purpose-built platform capabilities with the experience and expertise of our Technology and Solution teams. We are able to use this combination to deliver significant change for our customers without asking them to shoulder the burden of that change within their own organisation. By investing in the continued evolution of our three highly flexible technology eco-systems, we are able to meet the diverse needs of our key customer groups.

OnePlatform®

This is our Customer Communication Management (CCM) system. We deploy it both as an enabling technology, underpinning our customer communications operations and as SaaS to deliver vital multichannel communications services for clients in regulated sectors, including utilities, financial services and insurance. This year, we have secured new long-term contracts for these critical technology services with HSBC, Scottish and Southern Energy, HomeServe and Coventry Building Society.

Smart Cloud

Our modular Marketing Services platform enables marketing teams to manage complex campaigns from beginning to end. We recognised that no single software product can do this, so we used our ecosystem approach to create a platform that uses the best functionality from each module to remove gaps and weak spots that we saw in other workflow, procurement and assets management systems. We have successfully deployed Smart Cloud for Bupa, HSBC, Rank Group and Screwfix, producing efficiency gains and enhanced brand consistency. We are also launching an automated artworking module this year and intend to continue to invest to broaden the functionality of the platform.

Integr8

Born out of the successful operating platform for our Business Process Outsourcing line of business, we have invested heavily in enhancing the functionality of this tool. By integrating industry-leading software to create another highly effective ecosystem, we have improved it as an enabling technology to deliver secure workflow, digitisation and document management for our clients’ inbound communications. As with all three of our platforms, we can use our proprietary web harness to integrate with client systems, as well as our own platforms. Flexible integration opens up transformational gains by joining up customer journeys that were previously siloed. This offers exciting opportunities to remove waste, friction and unwanted noise from customer interactions, allowing our clients to support their customers better than ever before.

The Future

We recognise the role that integration plays in our future. For example, being able to integrate carbon metrics, as well as wider sustainability measures into procurement and MI systems will help us and our clients to hit demanding Net Zero targets that we have set for ourselves. Integration with third party systems is also key to ensuring that our clients' own investments in technology pay off too. We are developing our teams' skills and creating an environment in which they can innovate to help us and our clients maintain a competitive advantage in today's multichannel world.

Looking forward

Like every business, we face both internal and external challenges that could disrupt our strategic roadmap. We continue to move to embed transformation in our propositions to transcend digital while meeting the needs of our clients and their customers. Similarly, where our proposition and brand have been unclear to those clients who may have seen us mainly as a printer, we will inject clarity across our top-level proposition, upskill our teams to deliver it, and amplify our brand marketing activities.

The changes to our business outlined above will help to bring clarity to our customers and our people, while also addressing the challenges that our business and our market will face in the future. Despite this being a difficult year for people and businesses around the world, we have still seen significant growth and success. We are now focusing on using this success to drive progression towards becoming a technology-enabled international business services group.

In the coming months we will also continue to drive increased flexibility and agility for our clients, helping them to overcome their own challenges, while also diversifying into other markets so we can continue to provide for them today and into the future. This drive will be supported by increased talent acquisition as a key enabler of entry into further growth markets, along with further product and service diversification.


25% korting
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PARAGON

Western Europe

Guilhem Boucon
CEO PCC Western Europe

"We have achieved a strong organisational transformation to drive more focus and deliver strong synergies across all of our activities."

Evolving our Business Strategy

This year had many dynamic challenges due to the new stages of COVID-19, the Ukraine War, presidential elections, and challenges in our supply chains. Against this background, our FY22 objective was to transform our business and to leverage our potential synergies and growth drivers to deliver a strong and sustainable organic growth acceleration.

We have seen a strong recovery in demand following the period of the pandemic. However, the supply chain crisis created new challenges for our business with historically high price increases. Our sales teams have made every effort to support our clients in explaining the background for the increase in our prices, and our clients have shown a very understanding and responsible attitude, as we jointly navigate these challenges.

Despite the difficult market environment, we have continued with our transformation roadmap and accelerated the scope for potential synergies. We have achieved a strong organisational transformation to drive more focus and deliver strong synergies across all of our activities. The region is now structured based on clear lines of business, and each is led by a dedicated management team with separate P&L. The structure relies on cross-cutting shared service functions to deliver synergies, such as Procurement, as we leverage on our global purchasing power as part of a large international group when it comes to significant contributors to our cost structure such as paper, energy or transport. The shared service functions lead to other major projects and initiatives such as the Internal Digital Transformation programme, that has already delivered projects such as the Digitisation of certain HR processes and the deployment of our Salesforce CRM system.

As part of our organisational transformation, we have recruited massively and invested in the creation of new positions from the perspective of a "client centric" organisation. New professions and profiles are now part of our organisation and we are building our client centricity with Product Managers and Customer Success Managers, together with a new generation of sales people who have joined us with strong skills and methodologies.

Growth

This year's new business wins have demonstrated that our Lines of Business strategy enables us to become best-in-class players in each market. For example, in outsourcing regulatory and transactional customer communications we achieved two major wins during the year: Pro BTP and Société Générale. As a result of these wins, we have now become a leading player in the transactional Customer Communications market with a large production capacity, spread over two mirrored production sites.

Pro BTP is the leading social protection provider for the construction market, with more than 3.4 million members in over 220,000 companies. All the transactional communications were previously insourced in their own site in the south of France, but as printing volumes declined, PRO BTP wanted to focus on their core business and outsource this activity to a specialist provider who could propose a new and ambitious approach project to the production teams.

PRO BTP has placed their trust in Paragon for this project, and we invested in advance to modernise the site from its first day of operation under the Paragon flag: we equipped the site with the latest generation production machines from our major technology partner, Canon (ProStream and ColorStream), and invested heavily in the modernisation of the entire IT infrastructure.

Our investment plans have been accelerated thanks to the contribution of volumes from the second tender win with Société Générale. As a result, we expect growth in production volumes in excess of our business plan.

IAD has become a regular in our annual report since its arrival as a high-potential client. Our Lead Supply Line of Business delivers intermediation services between the brand and its members enabling them to source communication documents.

Not only does IAD's business model continue to grow, by increasing the number of members from 12,000 to 18,000, but now we are opening our services to their members across Europe: Spain, Portugal and Italy are about to join the service. We are more than proud to serve such a promising French unicorn!

The year also saw the opening of a new 20,000 sq.m. site in Lens dedicated to Co-packing and Logistics activities to meet the increasing demand for Supply Chain Management services. We have further enhanced our position in supply chain management, thanks to the increasing trust FedEx places us, evidenced this year by outsourcing a third-party logistics service to Paragon.

One of the key differentiators we have in the market is the ability to provide integrated solutions to our clients across multiple lines of business. A good example of this is for the Social Housing elections which occur every four years. To plan our solution for the 2022 elections, a sales taskforce was set up and built a strong value proposal: Paragon as a total voting solutions provider, with industrial delivery processes, strong voting experience and aggressive pricing.

This illustrates how combining the capabilities of three business lines can make us become leaders of the market. In a voting process Print Solutions source the paper and printing material, Customer Communications personalise and route the printing material, and our BPO & CRM team project manages the whole voting back office process.

Transforming this effort should allow us to consolidate our positions on the Social Housing market in France and further develop our offering to our 250 customers.

People

Our people strategy supports our ambitions of structured and sustainable growth. A new corporate structure was implemented at the beginning of the financial year which facilitated a consistent alignment between the legal entities and the Business Lines in the region. All legal entities are now renamed, restructured and efficient and we have deployed dedicated Management Committees for each of the seven business lines.

During this year, we recruited more than 30 fantastic new people into the business, who have already proven their capacity to boost the transformation plan!

As an example, Léa Viale has joined as Head of Procurement. She is a genuine creator of synergy in the relationship with our suppliers, and successfully managed to build a coordinated and centralised management of our paper purchases, which allowed us to get a better visibility in this stormy period of the paper industry crisis. Tarek Bchir is another example of a promising new talent. He recently joined our Technology team to support product marketing in setting up and project managing the delivery of our PEP features roadmap Tarik has an impressive track record in management of digital projects in key e-commerce players such as Cdiscount. We have hired a CFO for our Print Solutions and Lead Supply & Platform business lines as well as new General Managers for our Supply Chain Management and Lead Supply & Platform business lines.

New arrivals, new projects, yield a strong need for capability enhancement. Paragon has deployed massive training programs focusing on Management & Leadership, project management, and complex sales to standardise approaches across various businesses

We also implemented new support processes to help our associates to carry out their mission in a more efficient way thanks to the digitisation of payroll, the implementation of Salesforce for managing our sales activity and LegisWay in order to store, archive and manage our contracts with a powerful artificial intelligence module.

We continually seek to improve our People strategy. In this spirit, Paragon was accompanied for the first time by Great Place to Work on an organization wide audit of our workplace. Early results show that two of our sites have already met all the requirements to be classified as a Great Place To Work. Congratulations to Paragon Romania and PCC International for achieving this standard. We have set ourselves an ambitious programme to make more of our sites reach the same level by the end of FY23.

Looking Forward

The transformation journey we have launched will be long but exciting. Our vision and mission are focused around becoming a trusted outsourcer centred on the intermediation processes that connect brands and their ecosystems (customers, suppliers, partners, distribution networks, etc) with 3 core principles: customer focus, omni-channel approach and business continuity.

From a strategic perspective, next year we expect to:

- consolidate our leadership in Customer Communications
- accelerate our growth in BPO & CRM
- deliver strong focus on digital for Lead Supply & Platform
- explore new revenue streams for Print Solutions
- deliver packaging innovation in Supply Chain Management

Of course, next year will have its own fresh challenges but our new strategy and focussed management approach has created many opportunities for future success.

DACH & CEE

Thomas Simon
CEO PCC DACH & CEE

“We achieved 10% organic growth in what continues to be a challenging and tense climate, which makes us proud of the organisation’s team performance.”

Strategy & Growth

We successfully continued our strategy of combining resources across the DACH (Deutschland, Austria, CH, Confœderatio Helvetica) & CEE (Central & Eastern Europe) region, which we started last year.

Our customers in the inbound business (the processing of incoming physical and digital customer correspondence), benefit, for example, from distributed processing at the German locations supported by the business process outsourcing capabilities of our nearshoring location in Warsaw.

In the area of transactional customer communications (digital and physical production of document output), we have successfully advanced our multi-site concept. Customers benefit from increased security through distributed production, reduced costs and delivery times, and a reduced carbon footprint by shortening logistics chains.

In Marketing Services, especially in the production of direct mail, the interaction of the locations in Schwandorf (Germany), Nyrany (Czech Republic) and Krakow (Poland) led to a highly successful business year, with Sales and profitability targets considerably exceeded.

Our sales teams were successful in acquiring new customers and deepening the cooperation with existing customers. This was achieved despite adverse conditions, such as the necessary price increases in the context of the paper, supply chain and energy markets.

For example, the bank of the world’s second largest car manufacturer was won as a new customer within the framework of a first generation outsourcing of its own print centre.

We achieved 10% organic growth in what continues to be a challenging and tense climate, which makes us proud of the organisation’s team performance.

People

To further empower the people in our organisation for future tasks and challenges, we have further developed our leadership programme for personal development. In joint workshops with all three management levels, we developed the vision, the mission and the values of our common actions as ‘guard rails.’ The resulting leadership guidelines will be further deepened in workshops and coaching sessions in the future. In the last few months, we have already been able to see that the employees’ personal responsibility is increasing, and that entrepreneurial thinking is being promoted.

Internal communication was improved and accelerated across locations in the Region through the use of the employee app “myParagon”.

Sustainability

Sustainability is not only reflected in the personnel and personal development of our employees. We have also anchored in our values that we value diversity and take our social responsibility seriously.

We published our first CSR report in the last financial year. Our focus is on the fields of action “Protection of nature and the environment”, “People at Paragon” and “Sustainable Business”. The results of the intensive research also help us to enter into a qualified dialogue with our clients on how we can jointly reduce CO2 emissions. In addition to our own internal activities to reduce emissions, we agreed with almost all customers to calculate the emissions of their productions with us and to make them climate-neutral by means of certificates.

In addition to continuous investments in existing infrastructure and its expansion and modernisation, we continue to actively drive innovation with our clients. One focus here is, of course, digitisation. We successfully conducted a pilot project with Europe's largest telecommunications provider, which is planned for a broad roll-out in the new financial year. Based on the billing information we have a customers' mobile phone number, and they then receive an SMS with a download link for digital document collection instead of a printed bill. After a security query, physical production and postage will be suppressed after collection. If the link is not used within a defined time, a physical production is triggered to ensure a legally secure debit of the invoice amount.

Looking Forward

Our expertise in data handling from classic business areas helps us to support clients actively and successfully in digitisation. For the new business year, we plan to position this competence even more strongly in the market through a newly created 'Digitisation' team.

This will help us to competently meet the increasing trend of "first generation outsourcing" in Germany. We are convinced that in the future partners will be sought, for example for outsourcing the in-house print centre, who not only provide printing and enveloping services at the highest level, but also can be contact and implementation partners for the challenges of digitisation.

The Netherlands & Belgium

Mieke Clark-Marsman
CEO PCC The Netherlands & Belgium

“The digital maturity and ambition of our clients has given us the opportunity to grow in technical solutions and services.

Strategy Refresh

Over the past year we have continued to improve, innovate, and diversify our services with the objective to grow and to double our presence in The Netherlands and Belgium.

Our services have been diversified into the seven business lines that will create focus and enable us to meet our growth ambition and our objectives for the coming years:

Growth

Our ambition is to enhance our strategic and executing partnership with our clients, delivering innovative, future-proof solutions that support their objectives and strategies. In recent years we have strongly developed and grown our business around the following themes:

- **Multi-channel Communications with our OnePlatform**
  More than 100 clients in The Netherlands and Belgium are currently working with our advanced multichannel customer communications management solution that can be implemented both as a dedicated client solution and a SaaS solution.
- **Consulting and Implementation Services**
  Driven by the elevated level of digitisation in our region, our clients continue to ask us to steer and manage their digital transformation project and to deliver expertise on Quadient technology, consultancy on output management and data visualisation.
- **Integrated Outbound - Inbound Services**
  Since the end of 2021 we have integrated our inbound services operations in Berkel and Rodenrijs and it has given us the scope of a fully integrated ‘closed-loop’ outbound - inbound facility. A growing number of clients like T-Mobile have experienced the benefits of this holistic approach.
- **End-to-End Marketing Services**
  We have delivered some outstanding consumer focussed campaigns for clients like Uber eats, Crisp, Domino’s Pizza, Picnic and Indeed facilitating their growth that was enhanced by social and economic developments, such as the COVID-19 pandemic and the shortage in the labour market.
- **Pension Communication**
  For many people pensions are complicated and not on their radar. Communications on the topic are often considered to be too complex. We have been servicing Blue Sky Group, Appel Pensioen en Provisium to communicate differently with the end client. As customised as possible to the personal situation of each individual participant. Personal communication becomes possible by applying the latest technologies based on our OnePlatform.

Innovation

The communications market is changing dramatically, The Netherlands and Belgium being one of the most digitised regions in the world. The digital maturity and ambition of our clients has given us the opportunity to grow in technical solutions and services. Our flagship offering OnePlatform is the core of our uniqueness, empowering our clients to manage their document composition and scenario management for each of their segments. They can shape their personalised messages via the channel that is most effective or preferred by the receiver. It is easy to implement, offered as a SaaS or dedicated and provides a business model that is capex friendly.

The changing market has increased the wish to be able to communicate ‘on demand.’ Not only at any time, but also in any shape and volume. The possibilities of physical communication as booklets, manuals and other ways of printing-on-demand with no inventory have grown and offer various advantages for the environment, sustainability, flexibility, storage and costs. Over the past year we have invested in our capabilities to serve our clients to their bespoke needs.

Key Business Wins

In everything we do we keep an eye on our core values. We strive to be inventive, are committed to customer satisfaction, help our clients to be decisive by being decisive ourselves, and we believe that 'together' we reach further than acting on your own interest.

This has resulted in several great wins in the past year:

Sociale Verzekeringsbank

The Sociale VerzekeringsBank (SVB) implements social security schemes in the Netherlands. The activities of the SVB require a lot of diligent communication, whereby SVB wants to take the step towards multichannel communication. Paragon organizes and arranges this development. All their communications with their clients – about 5 million Dutch civilians – is created and distributed via OnePlatform. We assist and train the employees of the Sociale Verzekeringsbank to enhance their digital and technological skills to do so.

The Electoral Council of the Netherlands 'De Kiesraad'

The Electoral Council of the Netherlands 'De Kiesraad' has awarded Paragon the delivery of the 'Digital Elections Tool' (DHV). The Electoral Council acts as the central electoral committee in various elections. The Council is also an advisory body and information centre in the field of electoral law and elections. Paragon is – together with our sister company Scytl – developing, delivering, and will be managing the solution. The DHV will be used in determining the election results and the submission of candidate lists by political parties and will replace the Supporting Software Elections (OSV2020).

Stichting Kinderpostzegels

The mission of 'Kinderpostzegels' (the Children's Postage Stamps Foundation) is clear: "We give children opportunities for a better future". Under the motto 'for children, by children' they bring together decisiveness, knowledge and experience, money, action, and support for children who encounter obstacles in their development.

For Stichting Kinderpostzegels we capture all the application forms for the annual fundraising using intelligent software to capture handwritten data which includes data for ordering goods and bank data. Furthermore, we have developed automated search scripts to complete missing critical data on the application forms.

Blue Sky Group

Blue Sky Group is a specialist in the field of pension fund management. As an all-round pension administrator, they take work off the hands of pension funds, so that they can fully concentrate on their board work. For Blue Sky Group Paragon has digitized the output and processes of their participant communication. This allows them to communicate with their participants ad hoc, personally and in real time. In line with the wishes and brand perception of the pension funds. Paragon also made it possible for all outgoing communication to be stored in Blue Sky Group's digital archive so that customer service can easily assist participants with questions.

People and Rejuvenation

In the past year we have further invested in developing our diverse and differentiated leadership skills at middle management level. We believe that actively working on succession planning to develop talent is crucial for our growth. It is the next generation that will create continuous success for Paragon. Rejuvenation is an investment in the future, ensuring we keep being a market leader in our fast-changing technologically driven market. We have put younger management and high potential talent in their strength by giving them P&L responsibility, investing in their capabilities, and providing coaching and training on the job. This has proven to be a great impulse for innovation and new ways of co-operation internally and with clients.


Sustainability

Sustainability

Our Team

Lucy Klinkenberg-Matthews
Head of ESG for UK, Ireland & Luxembourg

Andreas Keck
Head of Sustainability & Business Development for DACH & CEE

Ingrid van Werven
EHS & Quality Manager for The Netherlands & Belgium

Patrick Sauze
Director of Development & Strategic Projects for Western Europe

Paragon Sustainability Team

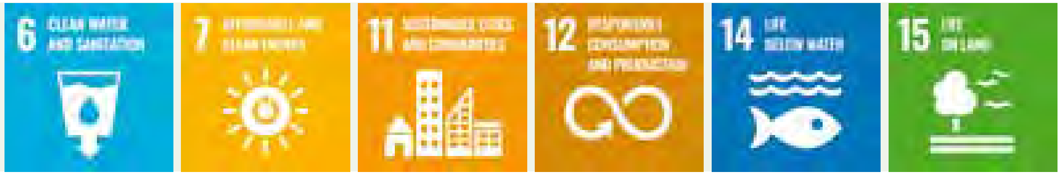
Our European Sustainability Team works collaboratively to create a common framework across the four geographical regions in Paragon. The joint sustainability initiatives of the team focus on Carbon Net Zero, Energy Management, Diversity & Inclusion and Metrics & Measurement.

Paragon and Sustainability

Paragon's Sustainability programmes are based on three key pillars: Planet, People and Partners.

This approach drives value and sustainability performance throughout the lifecycle of our products and services. It allows our businesses to focus on programmes that are material and relevant to the stakeholders in their markets whilst maintaining a common ethos. Our Planet, People, Partners programmes are aligned with the UN Sustainable Development Goals to demonstrate the part Paragon plays in delivering solutions to climate change and the creation of a fairer, more equitable society.

Planet



People

Partners

We measure progress on our Sustainability agenda via the EcoVadis assessment programme, the world's largest and most trusted provider of business sustainability ratings. Of more than 100,000 companies assessed globally by EcoVadis, we currently have two of our regions rated Gold (top 5%) and two rated Platinum (top 1%).

We have recently extended the range of products and services that meet our stakeholders ESG goals with the introduction of ecoMLR, Paragon's sustainable alternative to single-use packaging. Made of 70% recycled paper, ecoMLR is a strong and durable padded mailer that is a real alternative to a traditional plastic bubble mailer or carton packaging. ecoMLR can either be reused or recycled and Henkel's EPIX® Technology means that it also has insulating properties and can therefore be used for transporting chilled food products in the meal-kit home delivery market.

Planet

Carbon Net Zero

Climate Change presents very real risks for our business, our people and our partners and Carbon Net Zero is top of the list of priorities for our stakeholders.

Paragon has completed carbon inventories and reporting aligned with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.

We are working on putting a company-wide Carbon Net Zero Plan in place. The UK, Ireland & Lux region launched their Carbon Net Zero Plan in 2021 which is aligned to the Science Based Targets initiative (SBTi) Net Zero Standard and our Western Europe region signed up to the SBTi in 2022 and are working on their Net Zero Plan for submission and verification.

GOLD 2022 ecovadis Sustainability Rating

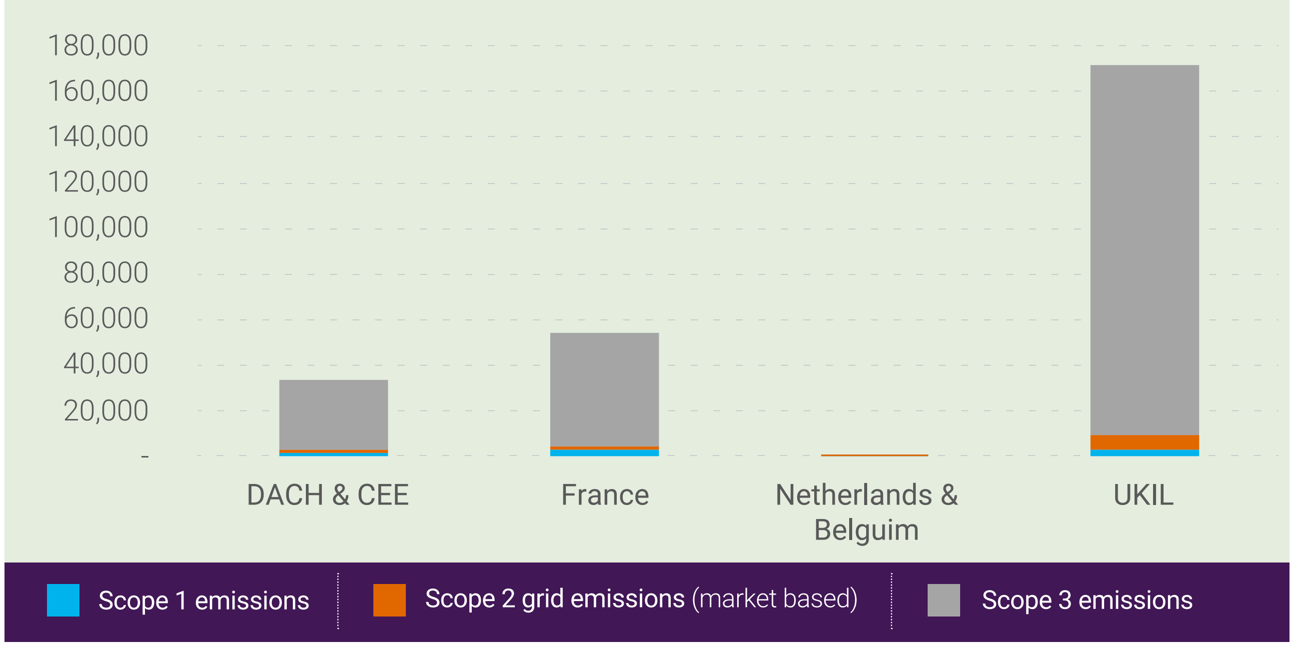
SILVER 2022 ecovadis Sustainability Rating

Carbon Emissions Scope for reporting year 01/07/2021 - 30/06/2022

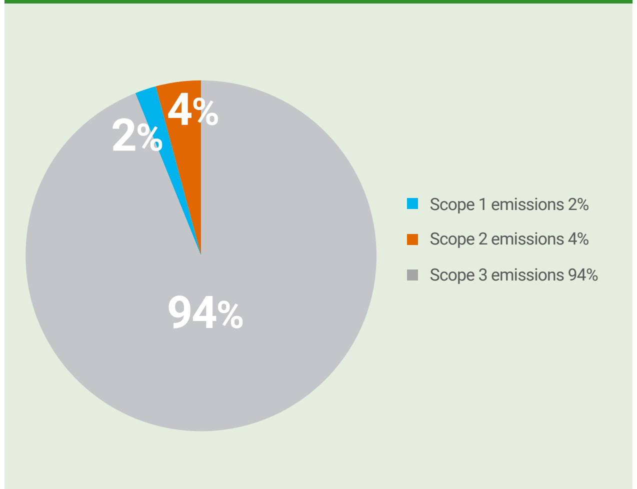
Carbon Emissions per region for reporting year (Tonnes per CO_2e)

Emissions Scope	DACH & CEE	Western Europe	Netherlands & Belgium	UKIL
Scope 1 emissions	1,493	2,804	350	2,365
Scope 2 grid emissions (market based)	1,587	1,387	186	6,872
Scope 3 emissions	30,531	50,137	-	177,431

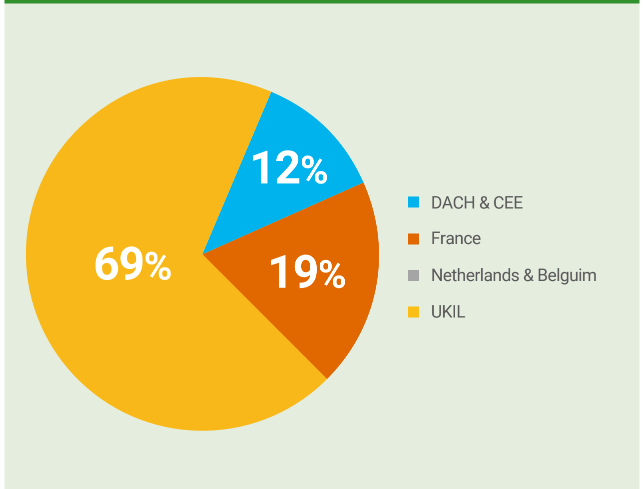
Carbon Emissions per region



Paragon Carbon Emissions



Carbon Emissions per region



The following emissions sources are not currently included in our figures as they are yet to be calculated:

- Scope 3 for the Direct Marketing and Romania businesses in Western Europe
- Scope 3 for Netherlands & Belgium
- A full breakdown of our current carbon emissions is available in our regional Sustainability reports.

Currently 64% of our electricity supply is on renewable green energy tariffs and all electricity at our location in Belgium is generated by wind turbines. Paragon remains committed to purchasing green energy through the economic challenges the energy crisis is currently bringing.

Reducing Carbon and Energy Management

The Carbon Net Zero Plan in the UK, Ireland & Lux region is aligned with the SBTi Net Zero Standard and commits to a 46.2% carbon reduction across Scope 1, 2 and 3 emissions by 2030, followed by a 90% reduction by 2050, against a baseline year of 2019/2020. Since the baseline reporting period of 2019/2020 a 11% reduction in Scope 1 and 23% reduction in Scope 2 emissions has been delivered. All remaining unavoidable emissions will be removed by investing in credible offsetting schemes to reach zero emissions.

Reducing operational carbon

All our locations work hard to reduce our Scope 1 and 2 carbon from our operations.

In France we have switched to LED lighting across our whole property estate, reducing the electricity consumption associated with lighting by 80%. Our Weingarten site in Germany has reduced carbon emissions by 95 tonnes CO2e per year, also by switching to LED light fittings.

All sites have production and facilities upgrade programmes to ensure our technology is efficient, suited to our workload and is using our resources responsibly, Our Nottingham site in the UK upgraded its main digital press to a Canon ProStream resulting in a reduction of paper consumption of 419 tonnes and energy use of 25 tonnes CO2e per year.

Moonlight Data Centre

In the Netherlands Project Moonlight has completed the transition to new 'lights out' data centres. There is a strong focus on sustainability where Power Usage Effectiveness (PUE) provides a measure of how efficiently a data centre is set up in terms of energy consumption. This value shows the proportion of energy that used for non-core functions, i.e. is not used for IT resources such as servers, storage and switches. The lower the PUE score, the more efficient the data centre. Our data centre PUE score has improved by 2% between 2020 and 2021.

PDC1 in 2021
1.33

2020	1.37
2019	1.38
2018	1.41

PDC2 in 2021
1.38

2020	1.37
2019	1.36
2018	1.42

Supporting the move to Electric Vehicles (EV)

We are converting our vehicle fleet to electric vehicles (EV's) and many of our sites now have EV charging points either installed or planned for the next few months.

In France, our vehicle fleet is now 80% plug-in hybrid and we are currently completing the fitting of charging stations across our locations.

Across our DACH & CEE region, EV charging points are planned at our three largest locations.

Biodiversity

Loss of biodiversity is a major risk to the planet and our communities. Protection and creation of natural habitats not only increases biodiversity, but provides amazing mental health benefits for our people.

The Paragon beehives at our Noyelles sous Lens site in France are doing very well and should produce around 60kg of honey this year. Similar projects to increase biodiversity have been implemented at other locations:

Paragon Bucharest: Our employees have planted an orchard at our site

Paragon Linselles: We have planted an orchard, a wildflower meadow and have 3 new beehives

Paragon Cosne: 200 oak trees planted in the Ruillé Forest

In the Netherlands we have a partnership with Trees for All. Every month, two trees are planted for each employee whose birthday falls in that month. Employees receive a certificate with their own trees. This supports the increase in forests in the Netherlands and raises awareness on the role our forests play in carbon reduction and biodiversity.

People

People

The actions and behaviour of the Leadership team in Paragon and all of our colleagues will create a working environment where everyone feels valued and respected.

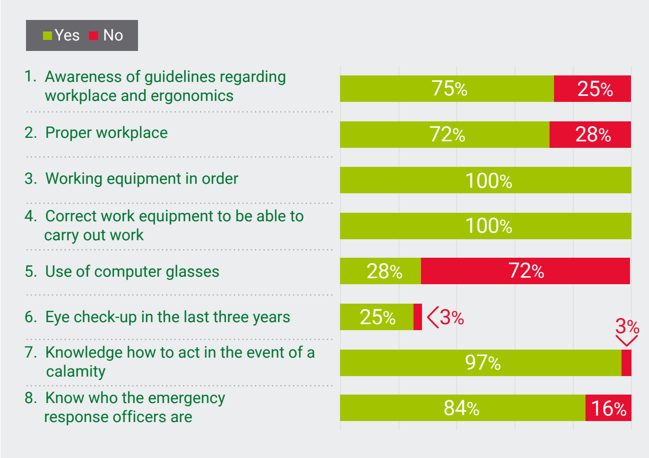
Our people are what makes Paragon special – nothing this business achieves is possible without the contribution of our colleagues, whatever their role. It is our ongoing ambition to establish and maintain Paragon as an employer of choice that is representative of the diversity of people and thought in our local communities; a place where people want to work, with inclusion, diversity and sustainability as a priority.

Understanding our workforce

Across the business we have been working to understand the diversity and inclusion metrics across our workforce, within the constraints of local legislation and expectations. Many of our sites have implemented employee satisfaction and Diversity & Inclusion surveys to understand how our people feel about the workplace.

Our Western Europe region partnered with Great Place to Work, a leading global authority on Workplace culture, to deliver an employee engagement survey across its 1,466 employees. This saw a 72% response rate and a 49% average Trust Index. This has allowed the regional team to benchmark and implement improvement plans. Two of our Western Europe sites are already on target to achieve "Great Place to Work" certification having reached the minimum scoring rate required.

Our site in Belgium undertook a survey to gauge our employees understanding of Wellbeing processes in the workplace:



Diversity & Inclusion

Within Paragon we recognise and appreciate the importance of creating an environment in which all employees feel valued, included, and empowered to do their best work and bring great ideas to the table. We recognise that each employee's unique experiences, perspectives, and viewpoints add value to our ability to create and deliver the best possible service to our customers.

Given that our individual social, economic, and cultural identities shape and influence our experiences and perspectives, it is clear that Paragon will do its best work by ensuring diversity in our workforce and by practising inclusivity in how we work with one another.

We want to provide equal access to opportunity and equity for all; a workplace where everyone is valued and respected. We tackle inequality in society by identifying actions and partnerships where we can make a difference. We are currently focussing on benchmarking Diversity & Inclusion in our workforce. This will enable us to identify areas for improvement, set targets for the future and measure the success of our current programmes.

At the end of 2020, a group of employees from various roles, departments, and sites across the Company came together to form the Inclusion Council, which has since been rebranded to the Diversity & Inclusion Forum. The purpose of the Forum is to help create a safe, inclusive and diverse working environment that encourages a culture of respect and equality for everyone, regardless of race, sexual orientation, religious belief, disability, gender identity or any background and provides support for under-represented or disadvantaged individuals or groups.

Reverse Mentoring Scheme

Our Diversity & Inclusion Forum has delivered some really powerful programmes including our Reverse Mentoring programme. As part of the National Inclusion Week 2021, we launched this Programme as we wanted to explore why minority and under-represented groups cite more difficulties in their working lives. The programme was designed to create transformational change and enable a culture of diversity, equity, and inclusion where the power of difference is respected and valued.

This six-month programme saw members of the senior leadership team matched with a mentor representing minority groups who had the opportunity to the break down systemic barriers so senior decision makers could understand the challenges faced and learn from each other. Over 60 employees took part with over 200 hours of mentoring sessions taking place. The programme was extremely well received with a Net Promoter Score of 68 and 95% of participants rating their session as either "good" or "very good".

Below are three testimonials from some of the participants:

"These sessions have been excellent for me and given a real insight to the daily challenges faced by our employees. My mentor has been very open and honest, and I feel we have built a strong trust."

"My mentor has identified many areas where we need to change and provided ideas of how that change would be best implemented. These sessions are invaluable."

"I felt the programme to be a very worthwhile exercise and one that we should continue to roll with, as think there may be a number of mentees who felt they should be on the programme out of curiosity, perhaps more initially than a belief in the need to learn and adapt, who may now feel glad they attended & that this was of great benefit"

And a quote from Jeremy Walters, CEO UKIL "Reverse mentoring is the single most important programme I've been involved in during the 10 years I've been with the business."

We are now planning the second cohort and agreeing the actions that resulted from the first cycle.

Diversity & Me Podcasts

In July 2021 we launched the first episode in our Diversity & Me Podcast series where a number of employees came together to share their experiences of being a person of colour in our organisation. The objective being to raise awareness so that colleagues could understand what it is to be a black person in a predominantly white organisation.

The second episode in the series was in March 2022 and focused on women in the workplace and coincided with International Women's' Day. The episode provided an open and honest discussion on topics ranging from challenges women face at work, imposter syndrome, the gender pay gap, unconscious bias in recruitment and much more.

West Ham United Foundation

We have teamed up with the West Ham United Foundation and Barking and Dagenham Council to help drive opportunities for young people in our community.

Originating at our Dagenham site, Paragon Ignite provides young people with the opportunity to develop as individuals and grow while learning new skills at our production sites.

The Foundation already does lots of brilliant work in their local community with disadvantaged youngsters, and this new project will see training and employment opportunities offered to young people via the West Ham United Foundation's communication channels.

We have also worked with the foundation at numerous Careers events and are also looking at how we can build upon our already growing relationship.

We work together to provide opportunities and remove the barriers for young people from under presented and underprivileged communities to enter our workforce. The site has just welcomed our first young worker with severe autism. His name is Tony, and our HR and Training teams worked together with Barking & Dagenham Council to adapt our training materials, working practices and provide awareness training to our people to bring him and his care worker into our workforce. Tony has brought incredible positivity into the business and everyone who works with him is enriched by the experience.

Homeserve Foundation

The HomeServe Foundation is the not-for-profit arm of leading home repairs company HomeServe Plc, established with a clear vision to dramatically increase the number of apprentices in the UK.

Paragon was The HomeServe Foundation's first strategic partner during National Apprentice Week. As part of this ground-breaking partnership, Paragon and The HomeServe Foundation will work together on a number of key initiatives, supporting the Foundation's vision of investment in skills through apprenticeships to aid the UK's economic recovery.

Levy Giving

The Apprenticeship Levy is paid by large businesses to help fund new apprenticeships. The UK Government rules also allow companies to transfer up to 25% of their apprenticeship levy funds to support other employers, funding the training and assessment of new apprentices. In doing so, Paragon is enabling businesses to develop talent they may not have been able to develop without access to these funds.

In the Tax Year 2021/22 we pledged £92k and in 2022/23 it is £172k, which includes Paragon agreeing to fund the South East Coast Ambulance Service NHS Foundation Trust with 10 Learners studying a Paramedic integrated degree, which is worth £250k over the 3 years.

Leadership Development

At Paragon we understand the importance of leadership development:

- Leadership development equips leaders with skills that can help them enhance the productivity of their team.
- Enhanced employee engagement can be achieved through leadership development programmes as it focuses on sketching out a clear path for employees who aim to assume leadership roles.
- Supports succession planning by building a leadership pipeline.
- Developing leaders is not just about increasing what they know, but transforming what they do and the culture in which they work.

We have introduced a number of Leadership programmes across Paragon and also locally within our four regions.

European Leadership Development Programme (ELDP)

At the beginning of 2021 we launched our first European Leadership Development Programme. This is an 18-month structured programme based on core leadership competencies driven by monthly developmental activities that are designed to increase skills and knowledge.

Our focus is on individuals who are of managerial level and above, who have been identified as having potential to further progress and develop within the organisation and have the ability to take the learning's and experiences from the Programme and use them in their day-to-day jobs.

Mentees were assigned to a Mentor from the European Senior Leadership Team on a 3 to 1 ratio, where they were able to share and transfer knowledge, skills and experiences. This relationship is designed to support the personal and professional growth of selected high potential employees and to assist them in achieving their goals and to discover more about themselves, their potential and their capability in the workplace.

We believe that the benefits will be significant as this is an opportunity for each participant to enrich their own professional experience and career as well as helping the business through the application of their learning's throughout the Programme in their day-to-day jobs.

The final part of the ELDP programme required the mentees to work together on four business-related projects which were presented to the Paragon Group Holding Board at the Closing Event for the Programme.

The second cohort of the ELDP commences in January 2023.

Young Paragon Network

The Young Paragon Network was set up in 2020 to bring together colleagues from across the whole Paragon business.

Young Paragon is a fantastic opportunity for young and enthusiastic professionals across the company to expand their internal network whilst collaborating with employees from around the company. Participants in the Network are split into teams to collaborate on tactical and strategic 'Challenges' set by senior managers from across the business. Challenges run for three months and the teams then have the opportunity to present their findings and recommendations to the Paragon Board and senior leadership team.

The group has already tackled problems such as Innovative Pricing models, Revenue Generation Management, Sustainability, Virtual Collaboration and Improving Working from Home. The groups worked together, held interviews with clients, colleagues and business partners, and evaluated their solutions before returning to share their thoughts and ideas to senior stakeholders across Paragon.

After two years and three cycles running virtually, in June 2022 the participants in the Young Paragon Network were finally able to meet each other in London. Over two days they undertook site visits, team activities, dinner with the senior leadership team and finished by presenting their findings from their Challenges on Day 2.

Take a look at some of the testimonials below to see what the Young Paragon experience has meant to the people involved.

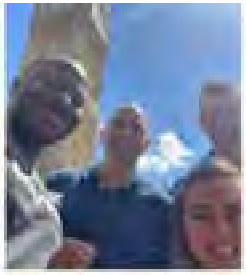
"The Young Paragon Network has been fantastic in enabling us to collaborate, communicate and network with colleagues from across our European business. The challenge has definitely increased my knowledge and understanding of Paragon's European-wide expertise, services, solutions and strategies, bringing together teams of people with different skills, experience and backgrounds. As our company continues to grow, it is imperative we continue to collaborate in this way, and I see The Young Paragon Network as a core driver for this."

"A fantastic opportunity to learn and grow with other like-minded young professionals across Europe. You learn so much more about the business and its people, and genuinely get the chance to create real, positive change through your projects."

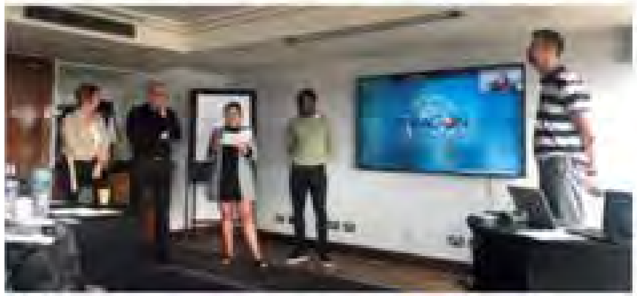
"It has been a great experience for me participating in Paragon Young Network Program. I have had the opportunity to collaborate with colleagues from different sites like The Netherlands, France and Germany. It has definitely helped me build more connections, develop my leadership skills and understand the wider business."

"I have found the Young Paragon Network a great team to be a part of. It is something that takes me out of my comfort zone not just in work but personally too. Working internationally sounds testing from the outset but when collaborating with many like-minded people across Europe it has been nothing but a pleasure. It has helped me to understand a wider aspect of the work that Paragon does and so far, I have gained a network of people with a variety of skills that I feel if I needed could use in the future to help. I am really enjoying being part of the team and am looking forward to what else it brings in the coming months."








Quantum

In the UK, we have completed the second cohort of our Quantum programme. The focus of the programme is to enable the chosen Leaders to: understand themselves better and what that means for their leadership and future career; develop their capacity to work outside their functional expertise and work on ambitious, and broad activities; develop their ability to work with each other to resolve problems rather than escalate them; and develop the team below them to enable greater delegation.

Mentoring Programme in Germany

This programme was launched in September 2021 and completed in the Summer of 2022. The first cohort was made up of team members who had been with the Company for 3 to 5 years, with 3 years as a Trainee. The objective of the Programme is to provide access to management and employee growth and development to enable the employee to develop to the next level in the organisation.

Apprentices

Following a successful 12-month pilot, in the UK we have launched a flagship apprenticeship programme called Paragon Ignite. The programme provides opportunities for talented individuals to forge a career in the communications industry, developing key skills in print, digital marketing, warehouse management, litho print, print finishing and engineering.

Initially deployed at the Dagenham site, the five-year programme is designed to create pathways for young, talented individuals to further their education and grow with the business throughout the scheme.

Ignite apprentices undertake an initial 10-week rotation, working across production areas including digital print, goods in, machine enclosing and general admin roles, preparing participants for the evolving environment of the communications industry before embarking on the multi-year programme.

As a business Paragon continues to invest in people, and the Paragon Ignite programme is central to this philosophy, giving candidates the opportunity to progress within the business, while also developing new skills.

Paragon already has sixty apprentices participating in various schemes across our UK sites. However, Paragon Ignite will become the Company's flagship programme, consolidating all on-the-job training into a single, market-leading scheme.

The Ignite programme forms an integral part of Paragon corporate sustainability and people strategy, which plays a critical role in ensuring the Company creates a progressive, supportive and healthy working environment.

Culture Building

Transformation Workshops

In March 2021, the DACH & CEE region launched the first of its Transformation Workshops to bring together leaders at various levels in the organisation (C-level, Director, Manager and Department Leaders) to discuss their culture and values in order to create one culture and aligned values for the region. From the workshop session the region has developed "Leadership Rules" that focus on innovation, collaboration, leadership and responsibility to help in developing the Company's culture.

Examples include:

Innovation – learning and growing.

Collaboration – working in partnership and being authentic.

Leadership – visible leadership, personal development and knowledge sharing.

Responsibility – sustainability, diversity, and profitable growth.

Lifelong Learning – Personal Development

As part of a Personal Development Programme for Directors, the directors of the Netherlands and Belgium region attended an intensive 5-day course focused on behaviour so that they can better understand their leadership behaviour and the impact this has on the culture in the business. They have also set up a group coaching process with the support of an external facilitator/coach to help the group to work more effectively as a team and to better understand of each other's role.

Wellbeing

Our 'Mental Health Matters' newsletter is published monthly and features a range of mental health advice and resources and information for employees.

The Wellbeing Council has produced Wellbeing Support Cards so everyone to have a card that they can place in their purse or Wallet with easy access to support and advice lines.

In addition to the Mental Health First Aiders we have in the business we have also created the role of Wellbeing Ambassadors.

They have introduced various support groups such as "Let's Talk Menopause" where employees can regularly communicate via WhatsApp or by a monthly team call where we support, help, listen and discuss ideas and solutions amongst each other.

Partners

Delivering the change our planet and societies need cannot be done alone. It will take collaboration across all stakeholders to find the solutions to deliver the commitments our global governments have made to tackle climate change, eradicate poverty and disease and to create stable and conflict free economies. Paragon works closely with our partners to explore opportunities to deliver Carbon Net Zero and equity in our societies across our joint value chains.

Ecodesign and Lifecycle Carbon

Our clients are highly engaged with ESG, and Paragon is a crucial part of their value chain in delivering their supporting communications and functions. Paragon supports our clients' Net Zero commitments by supplying lifecycle analysis of the carbon footprint of the products and services we provide. In our DACH & CEE region we have facilitated over 200 clients' work in becoming carbon neutral through the offsetting of 4,625 tonnes of CO_2e in the last financial year. In the UK, a product level online carbon calculator has been developed which provides clients with Carbon Consultancy to measure and reduce the carbon footprint of products and services through a structured programme.

Coffee Retailer Case Study

Our Western Europe region undertook a project for this global B to C food retailer to redesign their packaging. The aim was to deliver the same visual appeal whilst eliminating plastics, use eco-certified material and reduce the overall weight of material used. Our team worked with the client to develop engaging packaging completely made from FSC certified materials and delivered a saving of 66 tonnes APET plastics, 25 tonnes of PP Plastic and 19 tonnes of cardboard.

Quote from Freenet

"As a reliable partner, Paragon has actively supported the freenet Group since the beginning of our cooperation in Germany in achieving our Group goals in the area of sustainability and environmental protection. We value Paragon as a professional consultant who supports us with innovative ideas in the planning, conception, through to operational implementation, subsequent evaluation and tracking of activities in the area of climate-neutral customer communications. In addition to digitalisation projects, the focus is on other measures to reduce CO_2 (address services, production close to recipients via the 4-location concept) and offsetting unavoidable emissions via climate protection project."

Thomas Reimann, Head of Billing

Working with our Partners to reduce Carbon Emissions

Our supply chain has become increasingly challenging making stable relationships with our suppliers more important, particularly for energy and paper. Suppliers need to deliver fair pricing, a high level of supply security and sustainability credentials.

Our supply partners are actively engaged and have comprehensive sustainability programmes to drive down the impact across our value chain.

With over 90% of our carbon footprint sitting in our supply chain, it will be the collaborations across our combined value chains and industries that will bring through the leadership, technology and legislation to drive the innovation required to deliver this massive change. All regions are seeing increasing legislation driving engagement with our clients and supply partners covering a wide range of ESG topics including Modern Slavery, Diversity & Inclusion and Carbon management. Paragon, and our supply partners, are part our clients' Scope 3 carbon emissions. This brings tremendous opportunity to change the business drivers and provide a holistic view of the sustainability cost of our products and services.

We have calculated the carbon emissions across the majority of our supply chain and the collation of more accurate carbon emissions data from our top carbon emitting suppliers and the mapping of their Net Zero commitments into our own carbon reduction trajectory is underway.

We have a wide variety of suppliers ranging from large, global multinationals to micro, family-run businesses, and everything in between. Paragon is member of a number of organisations which help provide opportunities for diverse suppliers, including WeConnect and MSDUK, which provide access to a wide range of female-owned and minority owned suppliers respectively. In Western Europe we implemented our first supplier survey across 40 of our partners which returned an NPS of 27. This has resulted in the launch of a Paragon Supplier Club and Newsletter to improve engagement and communication with our partners. We have quadrupled our spend with suppliers employing disabled people in the last two years are we working towards "Responsible Purchasing" certification in 2023.

PostNL guarantees Net-Zero CO_2 emissions

From 1st January 2022 PostNL offset carbon emissions for door-to-door delivery. This is part of their roadmap for "Sustainable delivery of mail and parcels" which sees them commit to the delivery of all mail and parcels carbon emissions free by 2030. Plans include the move to electric vehicles and replacing fossil fuels with renewable alternatives. Today, 96% of final mile delivery is carbon neutral. Remaining carbon emissions will be offset with high quality carbon credits.

Case Study

Stora Enso

Paper is an extremely sustainable product, and Paragon only purchases paper from supply partners who hold FSC and / or PEFC certification.

Paragon has been working with Stora Enso, one of our major paper suppliers, to understand the carbon emissions and reduction programmes for their mill in Nymölla. A substantial part of the paper consumption in many locations is purchased through Stora Enso and paper from Nymölla Mill is used in printers, copiers and printing presses across multiple Paragon locations.

The mill has strong sustainability credentials. Being an integrated pulp and paper mill, reduces carbon emissions from transportation

Certifications

Our Sustainability programmes are underpinned by a wide range of certifications and attestations across the Environmental, Social & Governance ESG) framework.

Certification	DACH & CEE	Netherlands & Belgium	UK, Ireland & Lux	Western Europe
Ecovadis Rating	Silver	Gold	Platinum	Platinum
ISO 14001 Environmental Management	Yes	Yes	Yes	Yes
ISO 50001 Energy Management	Yes	Not required	Yes	Not required

Certification (contiued)	DACH & CEE	Netherlands & Belgium	UK, Ireland & Lux	Western Europe
Green Energy	Yes	Yes	Yes	Yes
FSC & PEFC	Yes	Yes	Yes	Yes
UN Global Compact	Yes	Planned	Planned	Yes
Carbon Disclosure Project	Not required	Not required	Yes	Not required
ISO 26000 Social Responsibility Self Certification	Planned	Yes	Planned	Planned
ISO 9001 Quality Management	Yes	Yes	Yes	Yes
ISO 45001 Health & Safety Management	Yes	Yes	Yes	Planned
Blue Angel	Yes	N/A	N/A	N/A
Charta der Vielfalt (Diversity Assessment)	Yes	N/A	N/A	N/A
SMETA Audit	Not required	Not required	Yes	Planned

Technology

Technology

Andrew Marks
CIO Paragon Group

"This same diversity provides a benefit in the form of access to a broad and skilled technology workforce and a variety of technology supply chain partners.."

Driving value from a diverse business

Paragon is a federated group of companies that has been brought together over a number of years to customers. Paragon's technology teams have established a set of services optimised for local business demand. At the same time, we have a proven capability to add value to our clients across international borders. We can use both independent and joined-up thinking, combined with deep client understanding to provide a highly tuned portfolio of services to our clients and their end customers whether B2B or B2C. This diversity and our flexible approach had enabled Paragon to optimise its solutions for cost, physical and digital channel preference, and geography.

This same diversity provides a benefit in the form of access to a broad and skilled technology workforce and a variety of technology supply chain partners. Whether staff or partners, each brings knowledge of hardware, software and services that may be re-used on a regional or international basis. Our own technology professionals bring a wealth of experience that we can combine with that from our partners and external consultants to be confident that we are exploiting what we have today for our clients and always looking forwards to emerging technologies to align them to our own needs and also our clients.

Our depth and breadth of delivery approach helps to provide resilience in the event of incidents, whether they relate to technology events, exceptional client demand, the need for specific skills or interruptions to our extended supply chain. We have experienced every one of these types of events in the last twelve months; and we expect to do so again. Being able to respond to such events by working together has been a key part of how we have been able to minimise the operational and client impact. We have also used this to change how we have delivered the increased market demands over the last two years. It positions Paragon well for equally inevitable and likely changes in the near-term and longer-term future.

Diversity also brings opportunity: innovation can come from anywhere, inspired by conversations with our clients, conversations with technology partners and as part of the process as we solve client problems within Paragon. Once delivered, our innovative services can be made available to anyone within the Paragon Group.

Case Study

Digital journey empowering people

Our digital business brings together the full set of capabilities needed to take an idea from concept through to delivery and ongoing operation. This combination of skills and experience allows Paragon to act as a one-stop-shop for our clients. Our clients do not need to go to market to access different stages of planning, design and delivery. They do not need to manage interfaces between third parties. Paragon can bring all that is needed to make it an easy journey, with reduced risk and cost.

Paragon was able to leverage its broad set of capabilities for our clients' needs in the work undertaken for UNICEF's Help Me Thrive programme in Bulgaria. It is one of several examples of work DCX has delivered that encompasses the breadth of pure technology delivery and technology consulting capabilities available within Paragon. In this case, the final solution provided web and mobile applications and services, across text-based and video channels, embracing mainstream Microsoft technologies with bespoke developments to give the consumers – in this case young children with a range of disabilities and their teachers – exactly what they required to benefit from home study. In addition, an analytics layer was added to provide management information relating to frequency of access, system performance, and end-to-end use of the services.

A Discovery phase, run by Paragon, brought together the needs of all stakeholders and participants to be sure that the final solution was going to be both complete and effective for the aims set out at the start. The active take-up of the service was demonstration of the value it brought to the children, their families and teachers.

Case Study

Delivering automation in highly customised output

Whilst it is common for our clients to ask us to operate at very large scale, or at very small scale, finding a client such as Française des Jeux (FDJ), one of Europe's largest lottery businesses, is an example of one operating at both large and small scales. With over 30,000 winners each week in addition to special prize-winning events, a core part of FDJ's marketing strategy is the production of large-scale winning cheque "copies" to support their direct and agency retail marketing.

The facsimile cheques are produced at our Arcania facility, alongside a range of other lottery-related products for FDJ. We make the facsimile cheques as close to real as possible – whilst a great deal larger - as a strategy to show potential game-players that 'You really can win if you buy here!'

The Paragon team have built a solution that gives access for over 50 agencies to create customised products by game-type and winning value. Their source is any one of the 30,000 weekly winning prizes. Once ordered, these are printed and delivered to a specific sales hub or lottery kiosk ready for display. We achieved this through an easy-to-access portal for product selection, combined with automated template tooling to bring the required customisation and easy to select local distribution.

A process that previously took several days to prepare, has been reduced to less than one hour. The extra days of processing effort have been saved permanently. Client's agents are able to have a high degree of confidence that they will receive a truly up-to-date copy cheque several days ahead of the next lottery cycle. The result is a freshness to the FDJ marketing material at each kiosk, creating the pull our client was looking for to maintain players' interest on a week-to-week basis.

Case Study

Resilient and data compliant wherever our clients operate

A bedrock of Paragon's business is the security of client data and confidence in the reliable delivery of our services. This comprises delivery of a full set of operational capabilities, supported by extended cyber security, system resilience, and assurance of regulatory compliance. Part of delivering resilient solutions, especially for clients with operations in multiple countries, is for Paragon to be able to leverage our operational sites across all of our countries of operation. Where we do not have a local presence, we are able to work through partners to deliver the same consumer experience.

MetLife, a global health insurance provider, has been working with Paragon to bring efficiency and consistency of delivery of highly confidential and time-dependent

communications across multiple European countries, respecting local regulatory controls and geographic constraints (see case study). Time criticality of delivery of their product, often containing personal medical information, was a core objective, with historic ways of working failing at the last mile too frequently. Working with our client and their local broker network, we have been introducing a mix of volume-based transactional delivery and one-off and low-volume hybrid mail services. We have maintained the ability to deliver the regulated physical product whilst helping our client to move to 'digital-first' for both Inbound and Outbound communications. Together, we are able to assure the client of brand and regulatory adherence, whilst giving local brokers room for customisation and true personalisation of the service to the consumer.

The brief was to do all of this for one country, prove it, then repeat it efficiently for more. We achieved this for UK, Spain and Portugal during the COVID pandemic period. We have now started to deliver across over thirty additional countries using a combination of hub-based processing and print output and distribution from our European operational network and through partners where physical products were needed. The move to a greater digital component removed constraints put in place by having to provide stock to a fixed location of the sender (typically a MetLife broker) and only being able to deliver to the receiver when they were at their home residence. The move to digital has given all parties greater flexibility and, for example, the Cyprus market has also been able to remove over 90% of paper from its processes.

The digital solution creates greater resilience in the event of technology incidents, operational incidents and local distribution variables. Operational variability includes rapidly changing demand which may be seasonal or driven by one-off events. Distribution variables are commonly weather-related. We can now assure delivery to required service levels wherever the broker, agent and consumer reside.

We believe that our ability to find the right solutions for our clients, to be able to deliver in a flexible way across geographies, all the while delivering to the original commercial proposal and requirements is something that differentiates Paragon.

Investing in visibility of operational performance

In addition to focussing most of our technology capability on client-facing systems - keeping them robust and secure as well as market-leading - Paragon has to enable a diverse set of operations, many of which run 24x7. Growing investment has been made in enabling the back-office with, for example, increased data gathering and business intelligence tooling. A mixture of independent operating solutions and appropriate consolidation platforms provides business leadership with a consistent view of performance at site, national and regional levels. Closer to real-time data allows faster decision-making and creates room to make the best commercial and operational decisions for clients and Paragon businesses together. Understanding the interplay between client and internal demands over long- and short-term, is fast becoming a focus of our analytics tooling. Our aim is to be confident that our goals of delivering excellent client value and quality is balanced by return on our own stakeholders' investments through appropriate commercial decision-making.

A technology leadership community keeps itself connected, working together to share ideas and to help each other solve problems as well as assuring security. When coupled with Paragon's continued commitment to its buy-build-and-grow acquisition strategy, building and maintaining a complete view of how each site and business is performing, along with a view of forward pipeline of sales could become overwhelming. Using a process of extract, transform and load, we are able to pull comparable data from diverse systems with minimum business disruption and with the potential to deliver maximum operational insight. Our local site leadership teams continue to run their operations as they always have done, now even more complete data. That same data enables operational management to compare performance with peers across Paragon and from that, to target continuous improvement and to capture each and every marginal operational gain.

Strategic alignment

Paragon's focus on a small number of lines of business and associated core services has allowed the technology leadership to continue its journey to a more simplified set of platforms and services, whether off-the-shelf, bespoke and often combined. Our close working with clients brings a deep understanding of how they operate. From that, we see the opportunity to help them to drive efficiencies through our operational and technology portfolio. Our strategic platforms grow as we migrate client services away from legacy systems. Through that, we are delivering simplification whilst increasing flexibility to position us for the changing mix of digital and physical communication.

"The combination of such a variety of capability, combined with solid delivery experience allows us to target a wide range of value opportunities for our clients."

Case Study

HSBC

Bringing together our end-to-end capabilities

Building on our long-standing creative studio services, targeted acquisitions and organic growth of digital agency businesses has led to the launch of DCX, a service line comprising over 250 professionals. Our core advisory team, once delivering web and marketing services is now helping our clients to re-envisage their businesses for a digital world. We are helping clients to change how they think about how they might communicate and interact with their end customers, what they need to do to achieve this, and then we can help them to deliver the transformation.

A turnkey website design, build and operate may now extend to mobile application development, online transactional platforms, real-time data insights services, and outsourcing of multi-channel communication services. In doing so, clients are able to transform from single channel/single direction routes for communication to multi-channel/responsive communication. Becoming truly interactive with the consumer is a target for many clients as they seek to reduce churn through increased loyalty, to provide flexibility and mobility for their customers (and their own staff), and to reduce cost in all areas of operation.

HSBC has been a long term client and we have provided services to over 9,000 staff in multiple countries. We were recently invited to help bring brand consistency, highly responsive customer support service and integrated digital and physical delivery. This builds on past innovations such as video eDelivery offered by HSBC Call Centre staff as an alternative to traditional User Guide content and brochureware.

- Multiple workstreams across the bank's three brands, including Creative Studio, Direct Mail, Branded/Marketing print, Point of Sale materials, warehousing and distribution.

- The Creative Studio is enabled by our marketing campaign capabilities to deliver an efficient and effective experience for our client's end customer from concept creation through data analytics and on to digital insight and subsequent customer communication

- PEP is integrated directly into their procurement platform providing an embedded catalogue for HSBC to select products from. Our embedded proof-and-approval mechanism provides the user with a further opportunity to check what has been ordered prior to the final order placement transaction. The result is assured product selection, branding and content quality, achieved seamlessly, within the HSBC employee's normal workflow.

- We achieve integration between multiple sites and suppliers to deliver a service which is then injects the order directly into the customer's distribution network, improving efficiency and reducing environmental impact as it fulfils each physical delivery without adding additional delivery journeys.

Global Insurance Provider (MetLife) –

- Requirement: Consolidate a multi-vendor, highly distributed and disconnected inbound and outbound communications service into a simplified, consistent, and reliable operating model, whilst maintaining local feel and regulatory demands.
- Solution: Through our documentation of current state, we were able to show how Paragon could deliver the joined-up process and assured delivery solution that was required. We designed and delivered a blueprint in three countries, then prepared a plan for phased roll-out across Europe.
- Status: We are well underway, with successes such as Cyprus where we have delivered to the brief and removed over 90% of paper from the historic process.
- Outcome: This has an impact on cost for the client, reliability and has an important positive contribution on environment sustainability.


Communications
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Governance and Compliance

Governance and Compliance

The Board is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' trust. Paragon expects all its Directors and employees to act with honesty, integrity and fairness. We will strive to act in accordance with the laws and customs of the countries in which it operates; adopt proper standards of business practice and procedure; operate with integrity; and observe and respect the culture of every country in which it does business.

1. Board leadership and Company purpose

The Board has collective responsibility to oversee the operational management of the Paragon business. In addition, it is responsible for the long-term sustainable success of Paragon and contributing to wider society.

The Board sets the Company's strategy, purpose, proposition and values, and ensures that these are aligned with the Company's culture.

Performance and Risk Management

The Board also ensures that the necessary financial and human resources are in place for Paragon to meet its objectives, and measures performance against them.

As part of Paragon's controls environment, there is a clear schedule of matters reserved for the Board, which include:

- The Group's strategy and organisation development
- The Group's corporate structure and capitalisation
- Approval of financial reports
- Risk management
- Approval of expenditure and material transactions including M&A
- Board composition and succession
- Oversight of governance, including approval of applicable corporate policies
- The key activities undertaken by the Board during the financial year included:
- Reviewed and monitored Paragon's long-term business strategy and objectives
- Reviewed and approved the Company's financial reports
- Reviewed and approved each acquisition opportunity
- Identified and reviewed Paragon principal risks
- Undertook an evaluation of the performance and effectiveness of the Board and its Directors
- Reviewed and monitored the Company's response to COVID-19, including the impact on employees and changes to work practices

The Board sets the risk appetite and evaluates principal risks. The Board continues to revise its principal and emerging risks to reflect the changes affecting the business and the markets in which it operates. This has resulted in a reassessment of the principal and emerging risks. The Board also monitors the Company's risk management and internal control systems.

2. Division of responsibilities

The Role of the Chair

The roles of the Chair and the CEO are separate and the division of responsibility between these roles has been agreed by the Chair, the CEO, and the Board. The Chair is responsible for the overall effectiveness of the Board and ensuring that it meets its duties. The CEO is responsible for the Group's day-to-day operations, the management of the Executive Management team, and for establishing the strategic leadership of the Group.

3. Audit, risk and internal control

The Board reviews the annual, half-year and monthly financial statements and internal controls in addition to the external audit. It is also responsible for overseeing the risk management framework, the scope of the annual audit and non-audit work undertaken by external auditors and the effectiveness of the internal controls in place within the Group. The Board is responsible for the presentation of a fair, balanced, and understandable assessment of the Company's position and prospects. This is a key consideration when preparing all financial information issued. The coordination and review of the annual report is conducted in parallel with the formal audit process undertaken by the external auditors and the review by the Board and its Committees.

The Board is satisfied that the current policies and procedures in place ensure the independence and effectiveness of the audit functions. The Board is responsible for conducting a robust assessment of the Company's emerging and principal risks. The Board, has monitored the Company's risk management and internal control systems and, at least annually, carries out a review of their effectiveness and reports on that review in the annual report.

Legislative Compliance

Legislative compliance is critical across Paragon and to our customers. Our Governance, Risk and Compliance (GRC) team ensures new or amended regulatory requirements are implemented within the business, using our ISO 14001 framework and quarterly audits to deliver the controls and training programmes to drive compliance at all locations.

Anti-Bribery & Corruption

Paragon expects its contractors, suppliers, and other business partners to uphold high standards in all business practices and to share our zero-tolerance approach to bribery and corruption. We expect all suppliers to comply with all relevant laws of the country in which they operate. All suppliers are required to sign the Paragon Supplier Code of Conduct and our supplier due diligence is completed at defined intervals by a dedicated compliance team.

Ethics and Compliance

Paragon recognises that our business activities have direct and indirect impacts on the societies in which we operate; how we interact with the world determines our place within it.

We are dedicated to developing an environment of trust, collaboration, and respect in all our business relationships. Our Ethics and Compliance programmes empower our staff to operate with integrity, confidence, honesty, and respect in their day-today activities.

Modern Slavery

Paragon is committed to ensuring there is no slavery, servitude, forced or compulsory labour or human trafficking in our supply chains or within any part of our operations; and we enforce effective systems and controls to minimise the risk.

Our policies and practices include our Recruitment and Selection Policy, Equal Opportunities Policy, Supplier Code of Conduct and Whistle-blowing Policy. All companies within Paragon are audited by a dedicated compliance team to assess their employment arrangements and Human Resources policies, with the risk of any of these offences occurring determined to be low. Supply partners operating in countries or industries with a high risk of modern slavery undergo due diligence to ensure their employment practices are in line with the International Labour Organisations recommendations. Our Anti- Slavery and Human-Trafficking policies apply to all persons working for, or on behalf of the Company in any capacity, including but not limited to; employees, agency workers, temporary staff, agents, contractors, external consultants, third-party representatives and business partners.

Health and Safety

Paragon operates under the principle that the safety of our employees, the regulatory compliance of our sites, and the sustainable management of our resources are key identifiers of operational excellence and sustainable growth. Our Health and Safety (H&S) teams across all regions have worked tirelessly to embrace the philosophy that H&S is everybody's shared responsibility. It is embedded into our operations and accountability is incorporated into all we do to ensure our employees remain safe, injuries are reduced, compliance is sustained, and culture is changed.

Our key H&S programmes cover:

- Multiple mandatory online and physical H&S training sessions across all sites.
- Successful retention of existing external standards, including ISO 45001.
- Refurbishment of facilities, break rooms, soundproofing and air conditioning.
- Production and equipment upgrade to reduce fatigue and risk of repetitive strain injury.

Equal Opportunities

Paragon is an equal opportunities employer. This means that we operate a policy of fair and equitable treatment for all employees and for all applicants for employment.

We are committed to ensuring that nobody receives less favourable treatment on grounds of age, disability, sex, sexual orientation, race, religion or belief, gender reassignment, marriage or civil partnership, and pregnancy and maternity, or are placed at a disadvantage by imposed conditions or requirements which cannot be shown to be justified.

All employees have the opportunity to seek promotion and are given equal access to promotional opportunities. All job applicants will be assessed on the basis of their suitability, capability and qualifications using a fair and consistent selection process.

Our people are what makes Paragon special – nothing this business achieves is possible without the contribution of our colleagues, whatever their role. We want to ensure that Paragon is a place that is representative of the diversity of people and thought in our local communities; a place where people want to work. We believe that attracting and retaining talented people and offering an environment where they can thrive, is integral to growing a sustainable and successful business.

Gender Pay Gap

Paragon is committed to the principle of equal opportunities and equal treatment for all employees, regardless of gender or any other characteristic. Our employment strategy is gender neutral and as such we hire and promote based on merit. We evaluate job roles and compensation as necessary to ensure a fair structure whilst recognising our diverse business.

We acknowledge that there are significant challenges in the industries which we operate in, particularly concerning the industrial nature of our business. We will continue to invest in learning, development and training programmes for employees. Through the steps we are taking we believe that the gender pay gap will narrow in the long-term as more female employees are recruited, developed, promoted and retained within the business.

At Paragon we believe that our commitment to diversity and inclusion is fundamental to our ability to meet the needs of our current and future clients, drives business success and promotes a high-performance culture.

We will continue to employ and develop the best people to deliver excellence for our clients.

Mental Health and Wellbeing

Paragon is committed to taking steps to promote positive mental health in the workplace and support those employees who may be experiencing mental health issues of any description. It is our intention to improve mental health awareness in the organisation, tackle the causes of work-related mental ill health, create a workplace culture where employees feel able to talk about their mental health, and support employees who are experiencing mental ill health.

By fostering a mentally healthy workplace culture and by putting in the right support, we aim to break the stigma of mental ill health and create an open and supportive culture that enables staff to be honest with managers, to access support and enjoy a healthy working life.

The Company is actively developing a culture where we openly talk about mental health, offer support, and address factors that may negatively affect mental wellbeing, and to upskill managers' awareness of mental health issues.

Mental Health First Aiders who are trained to provide first hand support and additional source of confidential support for someone experiencing mental ill health, and along with dedicated Wellbeing Champions we continue to drive our wellbeing agenda.

Partners

Paragon is committed to delivering sustainability improvements on behalf of our clients across the lifecycle of our products and services. The carbon footprint of most of our products and services lies within our value chain, and it is vital we assess the sustainability impact across the whole lifecycle. We cannot solve these challenges on our own – we require collaboration among all our stakeholders to deliver the required changes.

Community Engagement

We are committed to being a thoughtful, responsible, and active part of the communities in which we operate. Colleagues are encouraged to pursue their philanthropic passions, providing opportunities for individuals and teams to give back to their local communities. All sites work with nominated charities and organise regular fundraising and volunteering events.

A wide range of charities are supported, which is reflective of the wide range of passions of our colleagues. Activities our people have undertaken are diverse, including painting and decorating, gardening, taking residents for cycle rides, tree planting and path clearance. Our people regularly fundraise for company-nominated charities through bake sales and sporting challenges.

We value the different experiences and important contributions that our differently abled or disabled colleagues bring. Our policies and programmes ensure that we provide a framework and workplace that not just facilitates, but also celebrates our differences.

Stakeholder Engagement and Participation

In order for Paragon to meet its responsibilities to shareholders and stakeholders, the Board is required to ensure effective engagement with, and encourage participation from, these parties. The Board maintains a dialogue with stakeholders to help enable a mutual understanding.

Workforce Policies and Practices

Policies in relation to the workforce are approved by the Board. As part of its review, it ensures that such policies and practices are consistent with the Paragon values and support the long-term sustainable success. There are various initiatives designed to engender workforce engagement. The Inclusion Council aims to create a culture that attracts, grows, and empowers diverse talent.

Streamlined Energy & Carbon Reporting (SECR) for 2021/2022

Streamlined Energy and Carbon Reporting 2021 / 2022

Introduction

Paragon Customer Communications are pleased to present our energy and carbon reporting in line with the requirements of The Streamlined Energy and Carbon Reporting (SECR) legislation and the companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Scope

PCC consists of multiple subsidiary companies across the globe. The scope of this report covers all legal entities that are registered in the UK and in scope of the SECR legislation.

Energy use and carbon emissions are reported for the following activities:

- Gas consumed (buildings)
- Fuel consumed (buildings & operated transport)
- Fuel consumed (staff business travel)
- Electricity consumed

The reporting period will track the financial year of 1st July in any given year to 30th June to that of the preceding year. The current reporting period is 1st July 2021 to 30th June 2022.

PCC has grown massively through acquisition and will continue to do so in the future. For this reason we will adopt a rolling baseline year of the previous reporting period. This will reflect the changing scope of the business. The current baseline year is 1st July 2020 to 30th June 2021.

All legal entities that fall into scope for SECR reporting are within the Paragon Customer Communications details the legal entities that have been included in the reporting.

Changes in the reporting period affecting Carbon Emissions

During the reporting period, there were a number of acquisitions and subsequent restructuring that impacted energy use. These have been summarised for the divisions in scope:

Paragon Customer Communications Ltd:

- Acquisition of DG3 Leycol adding two new UK locations
- Acquisition of Reason and integration into our Consultancy & Agency business line
- Acquisition of Williams Lea CCM, adding three new UK locations

Operational Changes

Following the COVID-19 pandemic we have seen an increase in business travel and staff commuting, although this has not returned to pre-pandemic levels. There continues to be a flexible approach to hybrid working, where job role facilitates this.

The scope of work undertaken is evolving to meet the changing needs of our clients, including the development of our digital and marketing agencies. Our production locations have upgraded kit and work space to accommodate this changing scope of work.

Methodology

The calculation of carbon emissions has been completed using the Greenhouse Gas Protocol: Corporate and Accounting Standard methodology.

The methods of data collection and verification have been documented within our supporting evidence which can be made available on request. Wherever possible, 12 months of actual data has been used covering 01/07/2021 to 30/06/2022. Where estimates or projections have been used this has been stated.

Energy Use and Carbon Emissions

Energy Use and Carbon Emissions have been calculated for PCC:

2020/21 Reporting Year

	Gas (buildings + forklift) kWh	**Fuel** (operated transport) kWh	**Fuel** (staff business travel) kWh	**Electricity** kWh	**Carbon Emissions** Kg CO_2e
PCC	12,697,672 Recalculated to include acquisitions in reporting year	1,168,368	245,224	36,085,836 Recalculated to include acquisitions in reporting year	7,662,105

2021/22 Reporting Year

	Gas (buildings + forklift) kWh	**Fuel** (operated transport) kWh	**Fuel** (staff business travel) kWh	**Electricity** kWh	**Carbon Emissions** Kg CO_2e
PCC	11,223,662	1,204,205	308,582	35,538,423	6,872,420

Energy Intensity Ratio

PCC have chosen electricity $KgCO_2e$ per square metre of floor space as our intensity ratio. This will best reflect the different scope and activity of work across our locations.

This intensity measure is also reported monthly to all production locations as part of our ongoing ISO 14001 and ISO 50001 certified management programmes.

2020/21 Reporting Year

	2020/21 Total Electricity Kg CO_2e	**2020/21 Total** square metre	**2020/21 Kg CO_2e** per square metre	**2020/21 Total Electricity** Kg CO_2e	**2020/21 Total** square metres	**2020/21 Kg CO_2e** per square metre
PCC	7,662,105 Recalculated to include acquisitions in reporting year	107,174 Recalculated to include acquisitions in reporting year	71.49 Recalculated to include acquisitions in reporting year	6,872,420	107,174	64.49

Improvement Programmes

Over the past few years the business has grown massively through acquisition. As well as increasing the size of our business, this has also expanded our product offering and grown our supply chain. Accompanying our own growth has been a massive increase in the importance of sustainability – to individuals, to businesses and to governments. PCC recognise that, as well as the risks facing our planet and our societies, there is a tremendous opportunity to change the way we do business and embrace new technologies as we determine how we will collaborate to deliver the changes needed to move to a Net Zero, circular economy and help create a fairer, more equitable society.

PCC's launched our Sustainability Ambition 2030 which will help deliver the lasting change that our planet and our societies need. Our Ambition focusses on sustainability across the lifecycle of our product offering through an ESG framework. By helping our stakeholders to make informed decisions, we can drive responsible choices and behaviours across the value chain.

Paragon's Sustainability Ambition 2030 is based on three pillars: Planet, People and Partners. Our key areas of focus include:

The majority of Paragon Group production sites hold ISO 14001 Environmental Management and / or ISO 50001 Energy Management certifications. These management systems provide the framework to drive both site and group level improvements to our energy and carbon reporting, efficiency and emissions.

Across our own operations improvement programmes focus on the following areas:

- Production efficiency – Lean manufacturing, kit optimisation & upgrades
- Facilities efficiency – HVAC, lighting & facilities infrastructure
- Supply chain governance

Specific programmes across our production facilities in the reporting period include:

- Implementation of Site Sustainability Champions Team to identify and share best practice and drive ownership for carbon reduction at site level
- Consolidation of work and production locations
- Lighting upgrades to LED technology
- Air conditioning upgrades to production, offices and server rooms

- Refresh of production & warehouse equipment to more energy efficient kit
- Investigation into on site renewables opportunities
- Metering of individual operational plant equipment to better measure efficiencies across the warehouse operation

Paragon Customer Communications has seen the following reductions since the baseline year:

- Scope 1 – 9% reduction (subject to external verification)
- Scope 2 – 20% reduction (subject to external verification

Paragon Customer Communications and OT Group are the largest users of energy and carbon emissions within Paragon Group. Both Paragon Customer Communications publish its energy and carbon performance in their annual Sustainability Report.

Objectives & Targets and Future Plans

Both in scope divisions of the business have worked with external consultants JRP Solutions to develop Carbon Net Zero Plans that are aligned with the Science Based Targets Initiative (SBTi) Net Zero Standard.

Paragon Customer Communications launched its Net Zero Plan is November 2021 which commits the PCC business to a 46.2% reduction in Scope 1, 2 and 3 carbon emissions by 2030, and a 90% reduction by 2050.

The OT Group also worked with JRP Solutions, the final report and recommendations has been received and OT Group expect to publish their Carbon Net Zero plan covering Scope 1, 2 and 3 emissions by Q2 of the current financial year which will also be aligned with the SBTi.

The current political and economic climate continues to make operating conditions challenging for all businesses with unprecedented increases in the cost of energy and raw materials. Our focus on energy reduction and production efficiency will continue at our production locations to maximise the use of our raw materials. Our Site Sustainability Champions work to identify and share best practice across the group.

Future plans to 2025 focus on the following areas:

Behaviour Change is a powerful driver for Carbon reduction. It is the actions of People that will drive responsible decision making and result in both carbon and cost reductions. In order to drive ownership of carbon reduction Paragon is developing the following programmes:

- Framework for internal price for Carbon – delivered at site level this will drive ownership for carbon reduction programmes and put carbon reduction at the heart of business decisions and investment.
- Sustainability Academy – in order to educate and inspire our People Paragon is developing a Sustainability Academy covering a wide range of Sustainability topics to help empower our People to make responsible decisions both at work and home.
- Electric Vehicle salary sacrifice scheme – to help make the investment in EV more affordable for our People Paragon will be implementing an EV salary sacrifice scheme and onsite charging points.

Supply Chain engagement – across the group over 80% of our carbon emissions lie in our Scope 3 emissions, the vast majority with our upstream and downstream supply chain. Paragon is developing our Supplier Management programme to include:

- More accurate carbon emissions reporting from our top carbon emitting suppliers
- Benchmarking sustainability and Net Zero commitments within the supply chain
- Developing sustainability & carbon reporting SLAs and targets with our top carbon emitting suppliers

Summary

Carbon Net Zero continues to be a core driver for our business strategy and planning, PCC is committed to being part of the solution in the drive to Net Zero and the creation of a fairer, more equitable society. We remain committed to our Sustainability programmes throughout the challenging business conditions of the last few years.

Paragon reports full details of our Sustainability programmes and plans which can be accessed on our websites.

Appendix A

The qualifying conditions are met by a company or LLP in a year in which it satisfies two or more of the following requirements:

- Turnover £36 million or more24
- Balance sheet total £18 million or more
- Number of employees 250 or more

Appendix A (continued)

	Entity	In Scope of SECR	Included in reporting	Gas (buildings)	Fuel (operated transport)	Fuel (staff business travel)	Electricity
PCC	Paragon Customers Communications (London) Ltd	Yes	Yes	Yes	Yes	Yes	Yes
	DG3 Group Ltd	No	Yes	Yes	Yes	Yes	Yes
	Devonshire Appointments Ltd	No	Yes	Yes	Yes	Yes	Yes
	Paragon Workplace Solutions	Yes	Yes	Yes	Yes	Yes	Yes
	Print Trade Suppliers Ltd	No	Yes	N/A	N/A	N/A	N/A
	Global Document Systems Ltd	No	Yes	N/A	N/A	N/A	N/A
	Critical Mail Continuity Services Ltd	No	Yes	Yes	Yes	Yes	Yes
	Paragon CMM Ltd	Yes	Yes	Yes	Yes	Yes	Yes

Principal Risks & Uncertainties

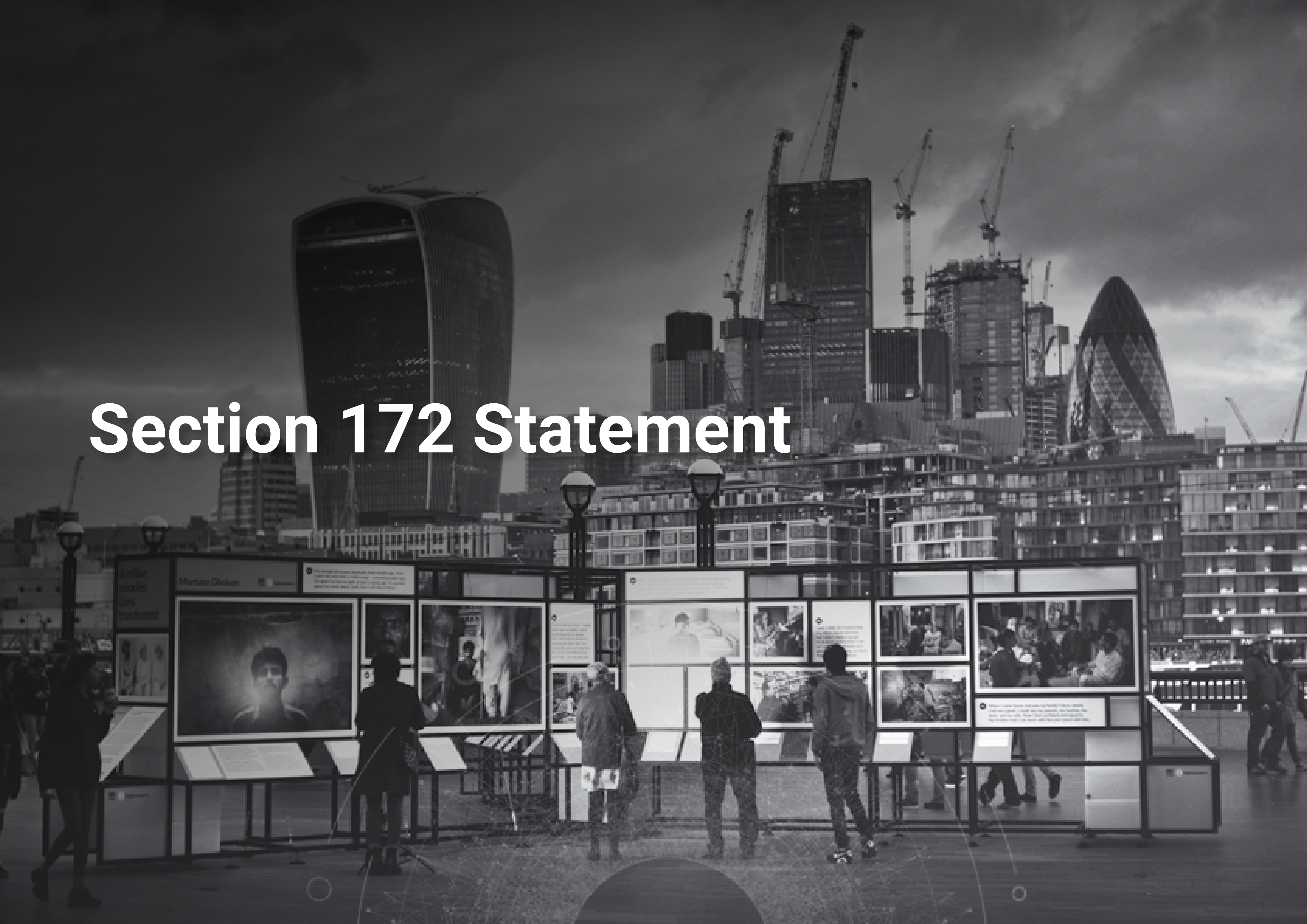
Principal Risks & Uncertainties

The Board determines the nature and extent of principal risks and uncertainties it is willing to accept to achieve its strategic objectives. Risks are identified and evaluated and appropriate risk management strategies are implemented.

Risk Description	Potential Impact	Mitigation
Product and Service The success of PCC is wholly dependent on the quality and relevance of our products and services.	Loss of revenues if the quality and relevance of our relevance of our product diminishes.	• Robust data integrity platforms and processes • Continued investment in recruiting and retaining high-quality researchers and analysts • We are continually developing innovative solutions which enhance both the content quality and our client's user interface experience • Focus on client feedback. • External consultants engaged to review quality control procedures
People and Succession Failure to attract or retain key employees could seriously impede future growth.	Failure to recruit or retain key staff could lead to reduced innovation and progress in the business.	• PCC is rapidly expanding, and the success of this expansion will be determined by the group's ability to manage and motivate our people in order to achieve the Groups performance objectives • We operates a competitive remuneration package and incentive schemes for management personnel • We continue to strengthen the Senior Leadership Team to encourage motivation and engagement with the business
Competition and Clients PCC operates in highly competitive markets.	PCC operate in highly competitive markets.	• We routinely review the competitive landscape to identify potential threats and acquisition opportunities • Our sales team strive to achieve organic sales growth • Our acquisition strategy continues to bring new clients • Our customer base is diversified by industry and product offering and we regularly review our clients to ensure that we are not overly reliant on any customer • We constantly monitor new technology capabilities and innovation to ensure that our products are always contemporary and relevant, which allows us to respond to new competitive threats as they arise • Our data sets, technology platforms and highly specialised printing machinery are both unique and difficult to replicate • Provide improved and best in class client support thereby improving customer satisfaction and retention
Economic and Global Political Changes PCC businesses operate worldwide.	Economic and political uncertainty could lead to supply chain issue, the price of raw material due to the the conflict in Ukraine, Brexit and global inflation/economic issues.	• We provide high-quality data and analytics services, which are embedded in the day-to-day operations of our clients. In times of uncertainty, we aim to provide clarity and insight • Management of headcount and overheads • Increased controls over capital expenditure and working capital • We operate in different geographies and therefore operate in a balanced portfolio of markets

Climate and Sustainability	Increased operating costs as a result of increased cost and availability of raw materials, cost of meeting current and emerging legislative & regulatory requirements, Increased electricity consumption for cooling as a result of temperature rise, loss of revenue if our Sustainability and Net Zero programmes do not meet stakeholder requirements and loss of revenue from clients' digital migration plans driven by their commitment to reduce carbon. Relocation of operational sites due to acute physical risk from flooding and rising sea level.	• Carbon Net Zero plans in place, or in development to: - reduce carbon emissions - support client goals & requirements - meet current & future legislative & regulatory requirements • Investigation into viability of on site renewable generation to reduce both carbon emissions & operating costs • ISO 14001 & ISO 50001 certified management systems focus on energy reduction programmes to reduce carbon & operating costs • Investment in technology, acquisitions and people skills to address the changing requirements of our stakeholders: - digital communication platforms - Lifecycle carbon calculation and reduction at product level to help our clients reduce the carbon footprint associated with their communication strategies
Regulatory Compliance	We may be subject to regulations restricting its activities or effecting changes in taxation.	• The majority of the PCC's operations are based in the UK, France, Germany and the Netherlands. Appropriate advisors are employed in all geographies to ensure PCC remains compliant with local laws and regulations.
Acquisition and Disposal Risk	The failure to successfully identify and integrate key acquisitions could lead to loss of profits, inefficient business processes, inconsistent corporate culture and weakened brand. .	• All acquisitions are subject to rigorous due diligence and operational review, the findings of which are presented to the main Board as part of the supervision and approval process • Where necessary external advisors with either technical and/or local knowledge are engaged
IT, Cyber Attacks and Systems Failure	Significant operational disruption caused by a major disaster.	• Business continuity plans have been implemented across PCC, including disaster recovery programmes, and plans to minimise business disruption • We regularly reviews its cyber security and website security protocols
Pandemics	Global outbreak of a public health threat or fear of such an event could result in increased government restrictions and regulations including the shutdown of the on-trade, restrictions to travel, and quarantining of our employees resulting in a negative impact to consumer demand, or a slowdown or halting of our business operations due to supply or logistic constraints, could adversely impact our financial performance.	• Global crisis management and business continuity management programme in place to enhance our capability to react effectively to crises and minimise damage and disruption in our business operations • Multi-channel product availability enabling consumers to continue to purchase our products for consumption • Established links to government bodies enabling dialogue regarding industry response and regulation • Decentralised decision-making enables re-prioritisation and resource re-deployment where required.

Section 172 Statement



Section 172 Statement

The Companies Act 2006 (CA2006) sets out a number of general duties which directors owe to the company. New legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the company, while having regard to the matters set out in section 172(1)(a) to (f) of the CA2006 (s172 factors).

During 2021, the directors continued to exercise all their duties, while having regard to these and other factors as they reviewed and considered proposals from senior management and governed the company. The Board considers that the statement focuses on those risks and opportunities that were of strategic importance to PCC consistent with the size and complexity of the business. In the performance of its duty to promote the success of the company, the Board has regard to a number of matters, including listening to and considering the views key stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate. Engagement with the company's main stakeholder groups, including our people, customers, suppliers, society and governments and regulators, at all levels of the organisation and across the enterprise are summarised below.

Our People

Our employees are its biggest asset. Maintaining a happy and engaged workforce is key to the Board to attract and retain top talent in our industries.

Primary Interests

PCC Employees want:

- A culture of autonomy and responsibility
- Working in a safe environment
- To work for a market leader with the opportunity for personal growth and career development
- Competitive benefit and remuneration

How we engage

Our people are at the core of our business and are our biggest asset. It is our aim to build a trusting, respectful and inclusive culture so every individual feels highly engaged and can be their best. We want our people to feel their human rights are respected and they are treated with dignity. We are committed to creating opportunities for growth and to a continuous learning culture. We prioritise the of health, safety and wellbeing of our people and promotion of inclusion and diversity, all mentioned in the People section. During the financial year, we have continued to invest in learning and development across the whole business. We have expanded our Apprenticeship programmes and have implemented group wide development initiatives. The Board consults with our people through a number of direct and indirect channels on a number of matters, as the Board values all opinions.

Impact on Board decisions

The Board recognises the importance of effective engagement with Paragon's employees and wider workforce, including contractors and temporary staff. In recent years, members of the Board have visited our sites in all countries of operation. During these visits, the Board engages directly with local management and other employees during site and trade visits, with Board presentations and Board dinners and lunches enabling the Board to meet a broad spectrum of employees from differing departments and markets.

Customers

We are a customer focussed business and we pride ourselves on delivering an outstanding service. The Board always considers the potential long-term impact its decisions may have on customers.

Customers want

First class product and service

On time delivery

To know their data is being kept private

How we engage

The Board receives regular reports from management based on market trends and customer feedback. The Board encourages the businesses to maintain multiple channels and methods of communication with customers to promote a meaningful and honest dialogue. The Board also tracks customer satisfaction. The Board is responsible for approving material business transactions and key strategic changes, as part of which customers' interests are at the fore. The Board is mindful of the fact that counterparties to commercial and corporate transactions may pursue strategies and outcomes which may conflict with interests of the customers. The Board considers if, and how, these divergent interests can be reconciled. We work with a wide range of customers: big and small, on-trade and off, digital and e-commerce to identify opportunities that offer profitable growth for our customers. Our passion is to ensure we nurture mutually beneficial relationships that deliver joint value and the best outcome for all our consumers.

Impact on Board decisions

The Board engages with customers, primarily through the Chief Executive and Executive Chairman, who provide information about key customers in their regular reports, in other business Board reports and at the quarterly Board meetings. Understanding the importance to customers of maintaining a broad portfolio with consumer offerings at a variety of price points and categories, the Board regularly reviews both innovation and inorganic opportunities to enhance its portfolio.

Suppliers

The performance of Paragon's suppliers is integral to PCC's success. We have a diversified supplier base from small contractors to FTSE100 groups and they play a critical role in the success of our businesses. We aim to build mutually beneficial long-term relationships with its suppliers.

Primary Interests

Suppliers want:

To build a long-term, mutually beneficial relationship

The businesses to meets their payment obligations on time

How we engage

The Executive Directors, together with the members of the management team, engage collaboratively with suppliers to discuss matters of mutual interest, including any risks which may need to be addressed.

The Board is given updates from management, as appropriate, regarding the business's relationships with its suppliers, including with respect to any material risks, performance issues or potential future changes. As part of the Group's standard engagement process, suppliers are required to accept the PCC's Supplier Guidelines, which act as an acknowledgement that they meet certain minimum ethical and legal standards approved by the Board, including in relation to modern slavery, anti-bribery and anti-money laundering more details in relation to this can found on page 53. Our suppliers and agencies are experts in the wide range of goods and services we require to create and market our brands. By working with them closely, we not only deliver high-quality products marketed responsibly, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact, and making positive contributions to society. This is reported on in our sustainability section, page 32.

Impact on Board decisions

The Board is committed to ensuring there is no slavery, servitude, forced or compulsory labour or human trafficking in our supply chains or within any part of our operations and we enforce effective systems and controls to minimise the risk.

Communities

It is important to the board and all of our employees, that the business gives back to the communities it operates in. The Board takes into consideration the impact that its decisions will have on the wider community, including through the example Paragon sets as a global leader in several industries.

Primary interests

Communities care about:

The Group's carbon footprint

The Group's efforts to promote worthy causes within the community

How we engage

During the year, the Board engaged with communities through our various businesses and its employees. Paragon employees are encouraged to nominate communities/charities that matter to them, which PCC donates to through the fundraising activities. The Board seeks to transparently disclose the Group's carbon emissions, and the ways it achieves status as a carbon neutral business. More concerning Paragon's carbon emissions can be found on page 58 .Investing in sustainable growth means supporting and empowering the communities where we live, work, source and sell. By ensuring we make a positive contribution, we can help build thriving communities and strengthen our business.

Impact on Board decisions

Maintaining close relationships with the communities in which we operate has always been of critical importance to the Board, shaping its discussions and guiding the company's approach to its responsibilities to wider society. The Board has had a number of discussions during the year to shape the company's ambition for its impact on communities over the long term, including shaping targets and goals in relation to environmental and social initiatives.

Government & Regulators

It is extremely important to the board, that all our businesses adhere to all government and regulator laws and rules within the country that the operate in.

Primary interests

Government & Regulators want:

Taxes up to date

Rules and regulations adhered to

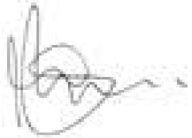
How we engage

The regulatory environment is critical to the success of our business. We believe it is important that those who can influence policy, laws and regulation understand our views. We also want to share information and perspectives on areas that can impact our business and public health. Collaboration is a key feature to creating successful and sustainable developments. Paragon looks to work constructively with Government, regulators, local authorities and industry bodies to shape developments. We aim to understand planning, regeneration, housing, environmental and economic policy objectives and work collaboratively to deliver these. The Company contributes to relevant policy consultations and has regular and constructive dialogue with Government departments and regulatory bodies.

Impact on Board decisions

The Board engages indirectly with government, regulators, and policymakers through regular reports from the Chief Executive as well as periodic updates from management. A number of Directors have experience of working in or with governments in the United Kingdom and elsewhere and provide insights as to policy-makers' views and priorities which are then considered by the Board in making its decisions.

This strategic report is approved by order of the Board



Mike Gordon
Chief Executive Officer

Financial Statements

for the period
1 July 2021
to 30 June 2022

The Directors Present Their Report

for the year ended 30 June 2022

Patrick Crean
Executive Chairman

Laurent T Salmon
Chief Financial Officer
Paragon Group

Seán Shine
Chief Executive Officer
Paragon Group

John Rogers
Executive Director,
Corporate Development

Mike Gordon
Chief Executive Officer,
Paragon Customer
Communications

John Farmer
Chief Financial Officer,
Paragon Customer
Communications

Directors

Patrick J Crean (Executive Chairman)

Laurent T Salmon (Chief Financial Officer, Paragon Group)

Seán Shine (Chief Executive Officer, Paragon Group)

John Rogers (Executive Director, Corporate Development)

Mike Gordon (Chief Executive Officer, Paragon Customer Communications)

John Farmer (Chief Financial Officer, Paragon Customer Communications)

Company Secretary

Richard Cahill

Auditors

Grant Thornton UK LLP
Chartered Accountants &
Senior Statutory Auditor
30 Finsbury Square, London,
EC2A 1AG, United Kingdom

Bankers and Advisors

CA-CIB
43 Place des États Unis,
92120 Montrouge, France

Lloyds Bank plc
25 Gresham Street, London,
EC2V 7HN, United Kingdom

Solicitors

Gunnercooke LLP
1 Cornhill, London, EC3V 3ND,
United Kingdom

Cabinet Lipworth
18 Avenue Franklin Roosevelt,
75008, Paris, France

Registered Office
Park House, 16-18 Finsbury Circus,
London, EC2M 7EB, United Kingdom

Directors' Report

for the year ended 30 June 2022

Directors of the Company

The Directors present their report and the financial statements for the year ended 30 June 2022. The Directors of the Company are listed opposite.

Results and dividends

The loss for the year after taxation for continuing operations amounted to €3,508,000 (2021: loss of €1,800,000).

The EBITDA[1] for the year for continuing operations amounted to €101,912,000 (2021: €84,159,000). A dividend was paid during the year of €50,000,000 (2021: €nil).

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. Sales, EBITDA[1], Underlying EBITDA[2] and Free cash flow3 are the key indicators management use to measure performance. KPIs for the financial year ended 30 June 2022 are shown in the table below, along with prior year comparatives

	2022 €000	2021 €000	Change %
Sales of goods and services	1,088,067	946,505	15%
Underlying EBITDA[2]	101,912	84,159	21%
Non-underlying items	(16,554)	(26,955)	(39%)
Operating Inflows	75,500	50,126	51%
Free cash flow[3]	89,285	37,509	138%
Cash and Cash equivalents	219,362	96,175	128%
Net Borrowings	(231,577)	(168,739)	37%

Future developments

The Group continues to evaluate new investment opportunities, acquisitions and product lines in order to enhance the scale and profitability of the Group. €180 million of loan notes were raised during year end which will assist the Group with its business growth strategy. The Group's acquisition capabilities are discussed further on page 19 of the Strategic Report.

Engagement with suppliers, customers and others

A summary of how our business engages with suppliers, customers and others is outlined in our Section 172 Statement on page 99.

Financial risks and uncertainties

Actions and measures have been implemented in order to protect the Group against financial risks and uncertainties.

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board.

The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The COVID-19 impact has differed in each of the Group divisions. The impact of COVID-19 is discussed in further detail in the CFO statement and the going concern policy. See pages 14 and 85-90 and 96-98 for discussion of this risk and other principal risks and uncertainties.

Economic & Political factors

A downturn in the macroeconomy may reduce consumer demand generally. Costs may be increased by changes to government policy, including tax changes or other legislation. Supply chains may be subject to disruption, or inflationary pressure. To mitigate supply chain disruption across borders the majority of product supply is now sourced from the jurisdictions the customer belongs to. Our platform has the capability to source product supply from multiple suppliers, across multiple regions should it be required.

The Group generates a significant portion of its earnings in the UK market, and any significant decline in the value of Sterling will impact the Group's translation of its Sterling earnings with consequential impacts on the reported performance and results of the Group.

The Group monitors these risks and actively manages its business to ensure minimal disruption to its operations.

In addition, there is an ongoing review of any new information and policy indications from the UK Government and the EU in relation to economic factors, in order to manage the risks associated with any decisions made by Governments.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process.

A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk management section (note 25) together with associated fair values.

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Commodity 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

2. Underlying EBITDA is defined in Note 2(s) on page 101

Directors' Report

for the year ended 30 June 2022 (continued)

price risk exceeds any significant potential benefits. The risk is mitigated due to the ongoing 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.

Currency risk

The Group has significant operations within the Euro area but also operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where necessary, floating to fixed interest rate swaps can be used to fix the interest rate.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk.

Furthermore, the Group is able to significantly reduce its exposure to credit risk as it is party to a debt factoring arrangement which enables it to accelerate cash flows associated with trade receivables, where advances received are without recourse.

The Group has established a credit policy that ensures that sales are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

Financial instruments

The Group finances its activities with a combination of bonds, bank loans, debtor finance, lease liabilities and cash.

Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities. Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk.

Development

The Group carries out development both internally and through a number of international arrangements and collaborations.

Streamlined Energy & Carbon Reporting (SECR)

The Directors present their Streamlined Energy & Carbon Reporting (SECR) for PCC Group 2021/2022 on page 92 of the Strategic Report.

Development of business relationships

The Board continually develops the Group's business relationships with suppliers, customers and others. These relationships are discussed in the Section 172 Statement in the Strategic Report, including the principal methods by which the Group engages these stakeholders.

Events since the Consolidated Statement of Financial Position

The following transactions took place post year end. In all cases, no purchase price allocation exercise has yet been undertaken as the acquisition balance sheet has not yet been finalised.

On 26 September 2022, the Group acquired the trade and assets of Image Factory Limited, from a related party. The consideration amounted to €3,409,000. It has annual turnover of €9,148,000 and is a provider of point, display packaging, shelf ready packaging, window displays and retail point of sales displays.

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information through regular bulletins and newsletters has continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' Report

for the year ended 30 June 2022 (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described above.

The Group has adequate financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. The Group enjoys an excellent relationship, and is in regular dialogue with its bankers and finance providers. The facilities available are estimated to be adequate to meet the Group's needs.

The company has ample liquidity and a stable long-term source of funding. On 16 December 2016, Paragon Group via Grenadier Holdings Plc, a related party of PCC group, raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. On 7 April 2018, the Paragon Group via Grenadier Holdings Plc raised €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market.These loan notes are repayable on 15 December 2023 and 6 April 2025 respectively. These were transferred to PCC Group on 30 July 2022.

On 30 July 2021, PCC Global Plc, a wholly- owned subsidiary, raised €139 million of loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 29 July 2028.

On 20 December 2021, PCC Global Plc, a wholly-owned subsidiary, raised €41 million of loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 19 December 2028.

The Group generated strong free cash flows during the year. In 2022 the Group generated cash from operations of €89,285,000 (2021: €37,509,000).

The Directors have performed an assessment of going concern, including a review of the Group's current cash position, available banking facilities and financial forecasts for 2022 and 2023, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current COVID-19 pandemic, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Four scenarios were considered for the Group in preparing our going concern assessment, being a management case and three other scenarios using a set of severe but plausible downside assumptions to that management case.

The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2022 and into 2023;
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes and reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business;
- The downside case included further reductions in the range of 10%, 15% and 28% in turnover across the five divisions for the remainder of 2022 and on into 2023 to reflect a scenario of a deeper economic impact, impact of war in Ukraine, cost of living increases, region and a slower recovery over the course of next year. Those projections showed that the Group will continue to operate viably over that period.

Outcome of assessment

Overall the Group traded in line with the management case for the first five months of the 2023 financial year and has remained profitable at an underlying EBITDA level which further underlines the resilience and adaptability of our business during this difficult time.

The Directors are confident that the Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, and existing liquidity.

The Directors are of the view that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements, and there are no material uncertainties that the Directors are aware of in relation to this.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the UK-adopted international accounting standards.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Directors' Report

for the year ended 30 June 2022 (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Strategic and Directors' Report in accordance with applicable law and regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors will be put to the members at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' report are listed on page 70.

Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware;

and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

Seán Shine,
Director 16 December, 2022

Independent Auditor’s report

to the members of PCC Global Plc

Opinion.

Our opinion on the financial statements is unmodified

We have audited the financial statements of PCC Global Plc (the ‘parent company’) and its subsidiaries (the ‘Group’) for the year ended 30 June 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Financial Position, the Consolidated Statement of Cash Flows, notes to the Consolidated Financial Statements, including a summary of significant accounting policies, the Parent Company Statement of Changes in Equity and notes to the parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 30 June 2022 and of the Group’s loss for the year ended then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the parent company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

A description of our evaluation of management’s assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and the parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the ‘Responsibilities of directors for the financial statements’ section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: €5,000,000, which represents approximately 0.5% of the preliminary Group revenue.

Parent company: €2,274,300, which represents 1% of the parent company’s preliminary net assets.

Key audit matters were identified as:

- Revenue recognition
- Business combinations
- Impairment of goodwill and intangible assets
- Going concern
- Valuation of amounts owed by Group undertakings and risk of impairment of investments in subsidiaries

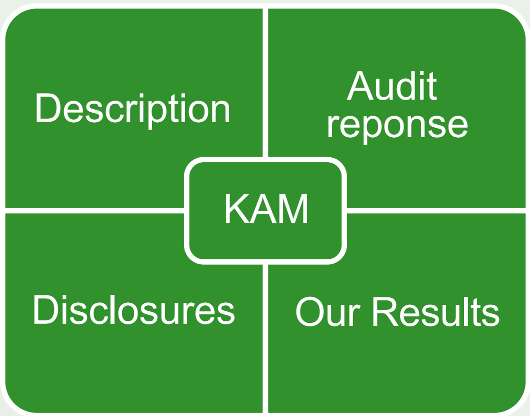
Independent Auditor's report

to the members of PCC Global Plc (continued)

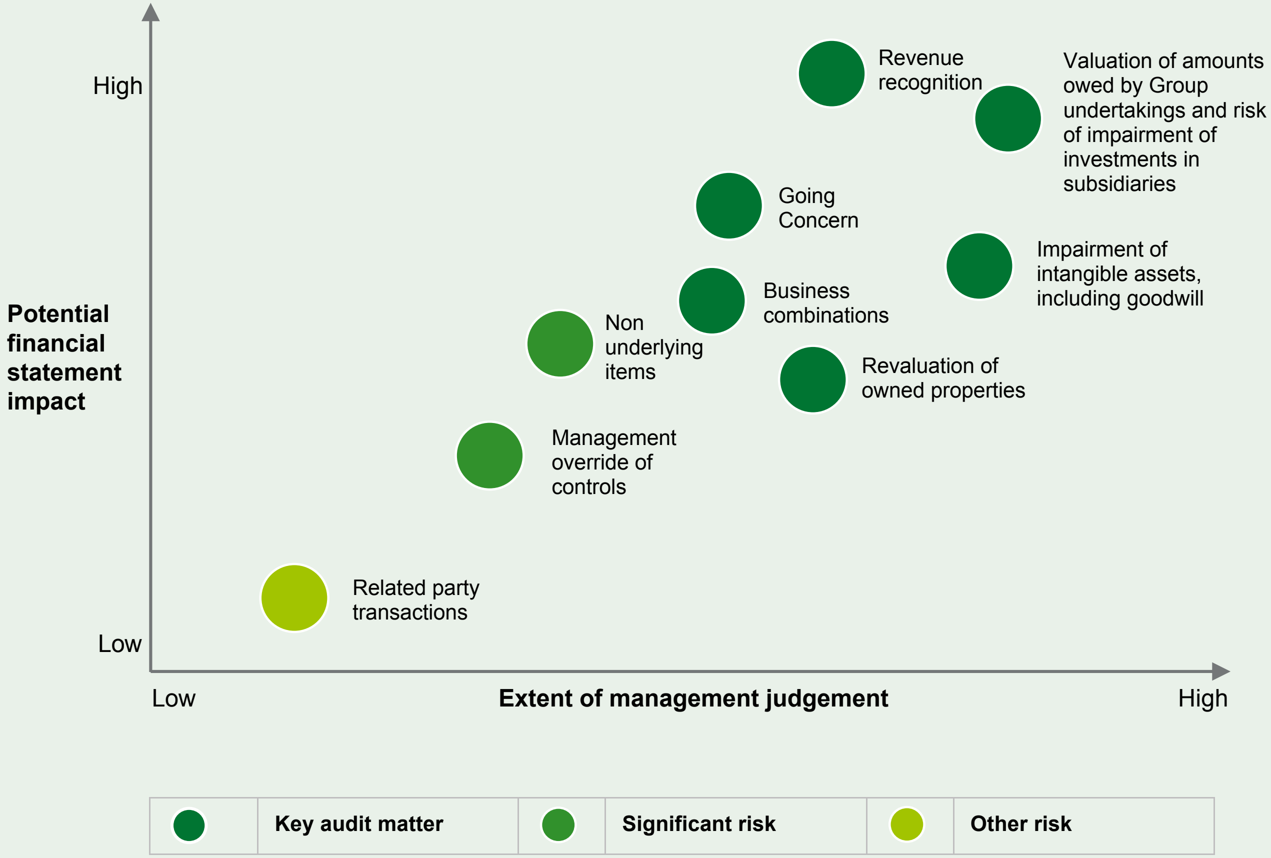
We performed full-scope audit procedures on the financial statements of four components. We also performed an audit of one or more account balances, classes of transactions or disclosures on eight components, performed specified audit procedures on four components and performed analytical procedures on the remaining components.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph to right, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Independent Auditor's report

to the members of PCC Global Plc (continued)

Key Audit Matter – Group

Revenue recognition

Revenue is the most significant item in the consolidated income statement (€1.088 billion) and impacts a number of key performance indicators, and key strategic decisions set out in the report and financial statements.

Revenue is recognised through different revenue streams in the Group's components as the fair value of consideration receivable for goods and services services provided, using the principles set out in IFRS 15 'Revenue from Contracts with Customers'.

The effect of these matters is that, as part of our risk assessment, we determined that there is a risk that revenue is not recognised in line with IFRS 15 and, due to it being a significant balance in the financial statements, a risk that the transactions did not occur.

We therefore identified the occurrence and accuracy of revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Obtaining an understanding of the relevant revenue streams in components and reviewing the revenue recognition policies for appropriateness under IFRS 15 and ensuring consistency with the prior period by inspecting trading terms and conditions with key customers and assessing application of these through sample testing;
- Performing a detailed walkthrough test at each component and significant revenue stream to confirm and document that all relevant controls were implemented during the period. Based on the testing performed, we concluded whether all identified controls were designed appropriately;
- Testing the operating effectiveness of controls including the three-way match control for a sample of items, ensuring they had been matched to purchase order, proof of delivery and payment;
- Using data analytics techniques such as visualisations, matching and transactional scoring to identify unusual revenue transactions for further substantive testing; and
- Performing substantive testing over a sample of individual revenue items across all revenue streams; agreeing items selected for testing to supporting third party evidence such as delivery notes, purchase orders and signed contracts to confirm occurrence. We also corroborated the sales to cash receipts;
- Performing analytical procedures on significant revenue accounts, comparing revenue balances for the year against expectation; and
- Performing tests on manual sales transactions including manual journals posted near to the year end to ensure that cut off was correctly applied, including reviewing journals posted around the year-end where the corresponding entries were not in line with the audit team's expectation.

Relevant disclosures in the Report and Financial Statements

- The accounting policy on revenue recognition is included in Notes to the consolidated financial statements: Note 2 (b) Significant accounting policies - Revenue recognition, and Note 3, Revenue.

Going Concern

We identified Going Concern as one of the most significant assessed risks of material misstatement due to error.

The Directors have performed an assessment of going concern and have also performed an assessment at Paragon Group level as the Group transacts with several entities within the Paragon Group and would be negatively impacted by a significant decline in the Paragon Group's ability to continue as a going concern.

Our results

Our audit procedures did not identify material misstatements in relation to revenue recognition.

In responding to the key audit matter, we performed the following audit procedures:

- Obtaining group management's base case scenario for the period to 31 December 2023, together with supporting evidence for all key trading, working capital and cash flow assumptions. We assessed how these cash flow forecasts were compiled and assessed their appropriateness by applying relevant sensitivities to the underlying assumptions and challenging the nature of those assumptions;
- Obtaining management's downside scenarios for the period to 31 December 2023 including a scenario with a set of severe but plausible assumptions case reflecting their assessment of relevant uncertainties.

Independent Auditor's report

to the members of PCC Global Plc (continued)

Key Audit Matter – Group (continued)

The Group and the wider Paragon Group has a statutory net loss for the current year and the total debt in the PCC Division covered by the covenants is €321m which is significantly higher than the cash in the whole Paragon Group (€245m).

In our evaluation of the Directors conclusions, we have considered the trading, liquidity and residual financing uncertainties present in respect of the Covid-19 pandemic, supply chain issues, the energy crisis and other current adverse economic environment conditions. These increase the extent of judgement and estimation uncertainty associated with management's forecasts when assessing the appropriateness of adopting the going concern basis of accounting in the preparation of the financial statements.

In response to this risk, the Directors have prepared a base case forecast and a reverse stress test including consideration of how much revenue would have to decrease by to trigger a covenant breach which could see the debt be called in, so leading to a liquidity headroom breach.

The Directors have concluded that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

For this reason, they continue to adopt the going concern basis in preparing the financial statements and they have not identified any material uncertainties in relation to going concern.

How our scope addressed the matter – Group (continued)

- Evaluating the assumptions regarding the forecast period and reduced trading levels under each of these scenarios including the impact on the covenant calculations, comprising the reduction in sales volume and margin as well as the impact of macro-economic uncertainties on the cost base of the group;
- Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- Obtaining post year end management accounts and comparing against amounts forecasted to assess accuracy of forecasts;
- Assessing the accuracy of debt covenant calculations within the group's forecasts by agreeing the inputs of the calculation to the terms of the debt agreements;
- Performing arithmetical and consistency checks on management's going concern model;
- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict the impact on cash, including the level of available facilities; and
- Assessing the adequacy of related disclosures within the report and financial statements against IAS 1 going concern disclosure requirements.

Relevant disclosures in the Report and Financial Statements

- Notes to the consolidated financial statements: Note 2, Significant accounting policies

Impairment of goodwill and intangible assets

The Group holds significant value in intangible assets and goodwill arising from the acquisition of a number of subsidiaries which has been attributed to four cash generating units.

The directors are required to make an annual assessment to determine whether the Group's goodwill and intangible assets, which stand at €72.8million and €97.4million respectively, are impaired and there is a risk that the carrying value of the cash generating units are overstated.

The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of assets' is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

Due to the level of judgement and complexity involved in determining the carrying value of goodwill and intangible assets, we therefore identified this as one of the most significant assessed risks of material misstatement due to error.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

In responding to the key audit matter, we performed the following audit procedures:

- Assessing the accounting policy and disclosure to ensure it is in accordance with the financial reporting framework, including IAS 36;
- Updating our understanding of and evaluating the design of the relevant processes and controls over the year-end impairment process and corroborating our understanding by performing a walkthrough test;
- Obtaining management's assessment of the relevant CGUs used in the impairment calculation and comparing those to our understanding of the business units and operating structure of the Group, including reconciling to the prior year;
- Obtaining management's impairment assessment, including the underlying discounted cash flow forecasts used to determine value in use and confirming the arithmetical accuracy of those calculations including the associated sensitivity analyses;

Independent Auditor's report

to the members of PCC Global Plc (continued)

Key Audit Matter – Group (continued)

How our scope addressed the matter – Group (continued)

- Assessing the accuracy of management's historical forecasting by a comparison of budgeted to actual data and historical variance trends, understanding and challenging management on the reason for variances;
- Evaluating the key assumptions applied in management's impairment model, through our knowledge of the business, discussions with management and by using industry data and other external information to assess the reasonableness of management's assumptions, and where possible corroborating assertions (such as to contract wins or benchmarking against available third party industry data). This included engaging our internal valuations specialists to review the discount rate applied by management;
- Evaluating the sensitivity analysis performed by management on key assumptions in their calculations to determine whether a reasonably possible change in assumptions would trigger an impairment; and
- Performing our own sensitivity analysis to understand the impact of any reasonably possible changes in assumptions and evaluating the headroom available from different outcomes to assess whether goodwill could be impaired.

Relevant disclosures in the Report and Financial Statements

- Notes to the Consolidated Financial Statements, Notes (e) and (h).

Business Combinations

The Group entered acquisitions in the year as set out in note 11 of the accounts. As a result of acquisition accounting being applied an assessment of the allocation of the purchase price is required, including recognition of intangible assets and goodwill arising in the consolidated accounts.

The process for business combination under International Accounting Standard IFRS 3 includes judgemental elements which require a high degree of estimation, and there is a risk that the fair value of the assets and liabilities acquired (including identified intangible assets such as customer relationships) have not been measured appropriately, resulting in a material impact on the financial statements.

Due to the level of judgement and complexity involved in valuing intangible assets acquired as part of a business combination, the most significant business combinations in the year have been assessed as one of the most significant assessed risks of material misstatement due to error.

Our results

Our audit procedures did not identify material misstatements in relation to the impairment of goodwill and intangible assets.

In responding to the key audit matter, we performed the following audit procedures:

- Assessing whether the group's accounting policy for the identification and valuation of intangible assets acquired in a business combination is in accordance with UK-adopted international accounting standards and determining whether fair value measurements are accounted for in accordance with the financial reporting framework;
- Obtaining management's accounting paper of the transactions and corroborating the fact pattern to the signed sales and purchase ('SPA') agreements. From this, the most significant business combinations were scoped as a significant risk, and sufficient coverage of all line items above a predetermined threshold were selected for opening balance sheet testing, including acquired intangible assets (mostly customer relationships);
- Obtaining evidence to support the opening balance sheet carrying values for each of the acquisitions where opening balance sheet amounts were above our determined threshold;

Independent Auditor's report

to the members of PCC Global Plc (continued)

Key Audit Matter – Group (continued)

How our scope addressed the matter – Group (continued)

- Verifying evidence in respect of the consideration paid to allow us to establish the fair value of the consideration paid and re-calculate any gain on acquisition or gain on bargain purchase.
- For any deferred consideration, understanding the nature and test basis per the signed SPA;
- Evaluating the competence, capability and objectivity of management's expert engaged to assist in the determination and valuation of intangible assets acquired in the year;
- Obtaining evidence supporting the fair value of intangible assets, where material. This included reviewing the work performed by experts engaged by management where appropriate;
- Engaging our valuations expert to assist with the review and challenge of the fair value calculations of intangible assets, where appropriate. This included assessing the reasonableness of the valuation assumptions;
- Reviewing documentation in respect of the consideration paid to allow us to establish the fair value of the consideration and re-calculate any goodwill balance or gain on bargain purchase. This also included understanding management's assessment of 'control' of each acquisition; and
- Reconciling the outputs from the purchase price allocations to the financial statements and disclosures therein and considering the adequacy of these disclosures.

Relevant disclosures in the Report and Financial Statements

- Notes to the consolidated Financial Statements: Note 1, General information and Note 1 (p), Business combinations

Valuation of the Parent Company's investment in subsidiaries and amounts owed by group undertakings

The parent company is a holding company in the PCC Global Plc group, with many subsidiaries and loans made to several Group undertakings:

- Shares in Group Undertakings € 394m and
- Loan with Group undertakings €127m.

There is therefore a risk that certain investments may be impaired and a risk that amounts due from Group undertakings may not be recoverable due to the significance of the balances. We therefore identified valuation of amounts owed by Group undertakings and risk of impairment of investments in subsidiaries as one of the most significant assessed risks of material misstatement due to error.

The directors are required to make an annual assessment to determine whether investments in subsidiaries and amounts owed by Group undertakings during the year are impaired.

The impairment assessment performed under IFRS 9 includes several management judgements that lead to a high degree of uncertainty and therefore a heightened risk of misstatement.

Our results

Our audit procedures did not identify material misstatements in relation to business combinations.

In responding to the key audit matter, we performed the following audit procedures:

Shares in Group Undertakings

- Reviewing the net assets in subsidiary entity's and compared to the carrying value at year end to identify indicators of impairment;
- Where there is an indicator of impairment obtaining management's impairment assessment, including the underlying discounted cash flow forecasts used to determine value in use and confirming the arithmetical accuracy of those calculations including the associated sensitivity analyses;
- Reviewing workings performed by management and challenged management's assessment of impairment indicators relating to the investment in Group undertakings by obtaining evidence for judgements used and support for key assumptions applied in management's impairment model, through our knowledge of the business, discussions with management and by using industry data and other external information to assess the reasonableness of management's assumptions, and where possible corroborating assertions (such as to contract wins or benchmarking) against available third party industry data;

Independent Auditor's report

to the members of PCC Global Plc (continued)

Key Audit Matter – Group (continued)

How our scope addressed the matter – Group (continued)

- Evaluating the net asset value of the investee balance sheet against the gross carrying value of the investment to assess whether there are indicators of impairment;
- Inspecting Group reporting from component auditors (in relation to the PCC Group Plc audit) to see if any significant investments have shown indicators of impairments based on underlying work performed by the component auditor; and
- Considering the implications of PCC Group's goodwill and intangible impairment review for evidence of underperforming subsidiaries.

Loan with Group undertakings

- Evaluating and challenging management's assessment of the ability of the respective subsidiaries to make payment of the full amount by ascertaining if the highly liquid assets at year-end is sufficient to repay the loans; and by evaluating if the entities have financial capacity to settle the amounts owed, with considerations to any loan repayments required that would restrict the ability to repay the loans.

Relevant disclosures in the Report and Financial Statements

- Notes to the Parent Company Financial Statements: Note 1, Accounting policies

Our results

Our audit procedures did not identify material misstatements in relation to the valuation of amounts owed by Group undertakings.

Independent Auditor's report

to the members of PCC Global Plc (continued)

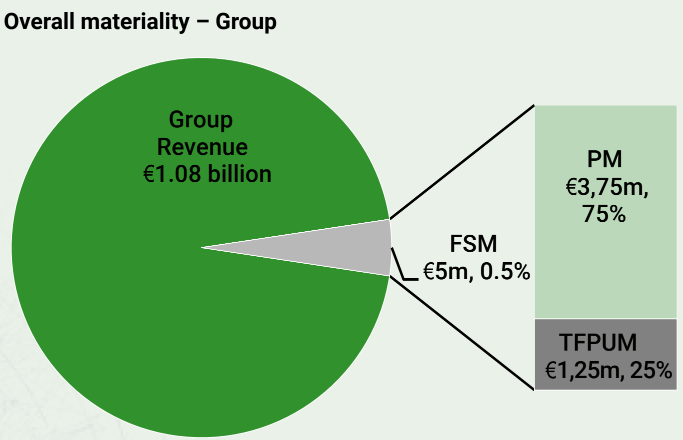
Our application of materiality

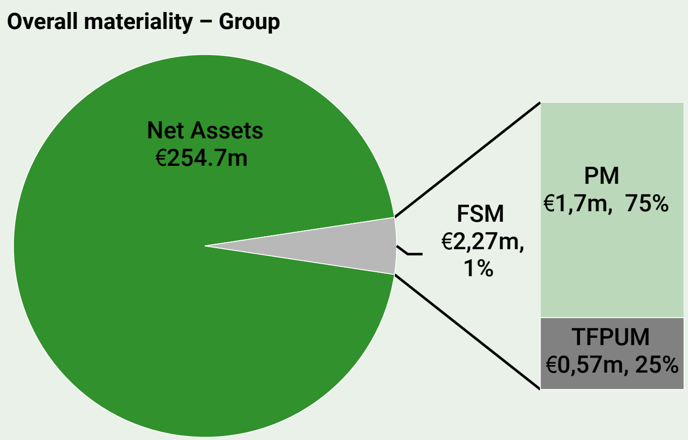
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Related party transactions and Directors' remuneration	We determined a lower level of specific materiality for the following areas: • Related party transactions and Directors' remuneration
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	€250,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	€113,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.





FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

Independent Auditor's report

to the members of PCC Global Plc (continued)

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environment, including Group-wide controls

- The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level.
- The engagement team obtained an understanding of the effect of the Group organisational structure and considered its effect on the scope of the audit. This included determining that the Group financial reporting system is centralised and that there is use of management experts where required.

Identifying significant components

- Significant components were identified through assessing their relative share of key Group financial metrics, this included total revenue, absolute loss before taxation and total assets. If any of the individual metrics above were >15% of the Group total, then that component was classified as 'individually financially significant to the Group' and an audit of the financial statements of the component using component materiality (full-scope audit procedures) was performed.
- Other components were selected where we determined there to be a specific risk profile in those components and were included in the scope of our Group audit procedures to provide sufficient coverage over the Group's results. For these components, an audit of one or more account balances or class of transactions (specific scope procedures) was performed.
- All other components of the Group were considered as being 'neither significant nor material' and analytical procedures were performed.

Performance of our audit

- Audit procedures were performed by the Group and component engagement teams. The Group engagement team performed audit procedures on one full scope component and all analytical procedures. Component audit teams performed audit work on three full scope components, eight specific-scope components and four specified audit procedures components.
- For significant components requiring a full scope audit approach we or the component auditors obtained an understanding of the relevant controls over the financial reporting system identified as part of our risk assessment. For all significant risks identified, the group team or component auditor obtained an understanding of the relevant controls that management have implemented over the associated processes.
- Performance of full-scope audits of the financial information provided coverage of 64% for revenue, and 19% coverage of group assets. Audits of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) provided 21% coverage of Group revenue and 11% coverage of Group assets. The performance of specified audit procedures yielded 1% coverage of Group assets and analytical procedures were performed on the remaining components providing 15% of revenue and 29% of group assets coverage. This is summarised below.
- The Group engagement team communicated with component auditors via Group instructions, site visits during planning, fieldwork, and completion stages of the audit.
- The Group engagement team held pre-scheduled conference calls throughout the audit fieldwork, and we increased the frequency of our communications with each component to monitor progress and we used video conferencing to review component audit documentation.

Audit approach	No. of components	% coverage Revenue	% coverage Revenue
Full-scope audit	4	19%	64%
Specific-scope audit	8	11%	21%
Specified audit procedures	4	1%	0%
Analytical procedures	68	29%	15%
Total	**84**	**60%**	**100%**

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

Matter on which we are required to report under the Companies Act 2006

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

Independent Auditor's report

to the members of PCC Global Plc (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- Through discussions with management, we obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and parent company. We determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, being UK-adopted international accounting standards (for the Group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company) and the Companies Act 2006;
- We enquired of management, the finance team and the board of directors about the Group's and parent company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the board of directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud;
- For components at which full-scope audit procedures were performed, we requested the component auditor to report to us instances of non-compliance with laws and regulations that give rise to a risk of material misstatement of the Group financial statements;
- We made specific inquiries of each member of the finance team to ascertain whether they had been subject to undue pressure or had been asked to make any unusual postings or modifications to reports used in financial reporting;
- We assessed the susceptibility of the Group's and parent company's financial statements to material misstatement, consulting with our specialists to inform this assessment, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - Enquiring of management, the finance team, legal counsel, and the Board about the risks of fraud at the Group and parent company level, and the controls implemented to address those risks.
  - Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
  - Identifying and testing journal entries selected based on risk profiling;
  - Undertaking specific keyword searches (including to related parties and of those previously connected to related entities) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls;

Independent Auditor's report

to the members of PCC Global Plc (continued)

  - In addition, journal entries by user were evaluated to identify types of entries posted that were not in line with the expectations of their role. Unusual entries noted from these searches were agreed to supporting documentation to corroborate the appropriateness of the posting;
  - Performing specific procedures in response to the risks relating to the valuation of amounts owed by Group undertakings, impairment of investments in subsidiaries, business combinations, impairment of goodwill and intangible assets and going concern as detailed within the Key Audit Matters section above;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

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

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19 December 2022

Consolidated Income Statement

For the years ended 30 June 2022

	Notes	2022 €000 Underlying	2022 €000 Non-underlying	2022 €000 Statutory	2021 €000 Underlying	2021 €000 Non-underlying	2021 €000 Statutory
Revenue from sale of goods and services	3	**1,088,067**	**–**	**1,088,067**	**946,505**	**–**	**946,505**
Material costs		529,769	–	529,769	471,230	–	471,230
Payroll	5, 8	344,861	13,040	357,901	300,358	19,198	319,556
Other operating costs	4, 8	111,525	2,824	114,349	90,758	7,757	98,515
Other operating income	8	-	(2,442)	(2,442)	-	-	-
Costs before depreciation and amortisation		**986,155**	**13,422**	**999,577**	**862,346**	**26,955**	**889,301**
EBITDA (excluding corporate charges)	2, 8	101,912	(13,422)	88,490	84,159	(26,955)	57,204
Corporate charges	2	7,416	3,132	10,548	7,078	–	7,078
Depreciation and amortisation	4	63,642	–	63,642	50,452	–	50,452
EBIT/Operating profit/(loss)	2	**30,854**	**(16,554)**	**14,300**	**26,629**	**(26,955)**	**(326)**
Gain on asset disposals	8	–	1,416	1,416	-	283	283
Share of equity accounted investments	8, 14	698	–	698	501	–	501
Finance income	6	290	–	290	2,243	–	2,243
Finance cost	7	(19,949)	–	(19,949)	(7,569)	–	(7,569)
Profit/(loss) before tax		**11,893**	**(15,138)**	**(3,245)**	**21,804**	**(26,672)**	**(4,868)**
Income tax charge/(credit)	9	1,847	(1,584)	263	(81)	(2,987)	(3,068)
Profit/(loss) for the year from continuing operations		**10,046**	**(13,554)**	**(3,508)**	**21,885**	**(23,685)**	**(1,800)**
Profit/(loss) for the year		**10,046**	**(13,554)**	**(3,508)**	**21,885**	**(23,685)**	**(1,800)**

1. EBITDA and EBIT is defined in Note2(s) on page 101
2. Underlying EBITDA is defined in Note 2(s) on page 101

Consolidated Statement of other Comprehensive Income

For the years ended 30 June 2022

	2022 €000	2021 €000
Loss for the year	**(3,508)**	**(1,800)**
Items that will not be reclassified subsequent to profit or loss		
Actuarial loss recognised on pension schemes	(50)	(378)
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve on land and buildings	5,861	–
Exchange differences on translation of foreign operations	(1,619)	2,253
Other comprehensive income for the year	**4,192**	**1,875**
Total comprehensive profit for the year	**684**	**75**
Attributable to:		
Owners of the parent		
	684	**75**

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 €000	2021 €000
Assets			
Non-current assets			
Property, plant and equipment	10	54,043	46,903
Right-of-use assets	20	81,372	80,443
Goodwill	12	72,803	62,211
Other intangible assets	13	97,381	75,400
Financial investments	14	803	806
Retirement benefits surplus	24	36	61
Deferred tax assets	23	10,005	9,989
Other non-current assets	17	1,524	1,380
		317,967	**277,193**
Current assets			
Inventories	16	38,343	23,613
Trade and other receivables	17	111,030	110,150
Loan receivable from related party	30	14,648	-
Income tax receivable		831	1,942
Cash and cash equivalents	17	219,362	96,175
		384,214	231,880
Assets held for sale	15	17	17
		384,231	**231,897**
Total assets		**702,198**	**509,090**
Liabilities			
Current liabilities			
Lease liabilities	20	23,452	20,038
Borrowings - related party	19, 30	7,475	136,283
Borrowings - 3rd party	19	16,331	11,226
Trade and other payables	18	255,513	211,774
Income tax payable		2,749	2,569
Deferred income	21	6,010	4,360
Provisions	22	2,187	4,590
		313,717	**390,840**

continued...

Consolidated Statement of Financial Position

As at 30 June 2022 (continued)

	Notes	2022 €000	2021 €000
Non-current liabilities			
Borrowings - 3rd party	19	362,552	40,696
Lease liabilities	20	55,575	56,671
Provisions	22	14,476	14,266
Deferred income	21	477	621
Deferred tax liabilities	23	8,079	8,868
Retirement benefits deficit	24	4,323	4,813
		445,482	**125,935**
Total liabilities		**759,199**	**516,775**
Net liabilities		**(57,001)**	**(7,685)**
Equity			
Share capital	26	240,407	240,407
Capital reserve	26	142	142
Cumulative translation reserve	26	(1,809)	(190)
Revaluation Reserve	26	5,861	–
Retained earnings	26	26,580	80,138
Equity pre-merger reserve		271,181	320,497
Unrecognised fair value merger reserve	27	(328,182)	(328,182)
Total equity		**(57,001)**	**(7,685)**

The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2022 and signed on its behalf by:

Seán Shine
Director

Laurent T. Salmon
Director

Consolidated Statement of Changes in Equity

For the years ended 30 June 2022

	Share capital	Capital reserve	Retained earnings	Revaluation reserve	Cumulative translation reserve	Total	Unrecog-nised Fair Value Merger Reserve	Total equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance as at 1 July 2021	**240,407**	**142**	**80,138**	**–**	**(190)**	**320,497**	**(328,182)**	**(7,685)**
Loss for the year	–	–	(3,508)	–	–	(3,508)	–	(3,508)
Dividend Paid	–	–	(50,000)	–	–	(50,000)	–	(50,000)
Other comprehensive income for the year	–	–	(50)	5,861	(1,619)	4,192	–	4,192
Balance as at 30 June 2022	**240,407**	**142**	**26,580**	**5,861**	**(1,809)**	**271,181**	**(328,182)**	**(57,001)**

For the year ended 30 June 2021

	Share capital	Capital reserve	Retained earnings	Cumulative translation reserve	Equity Pre-merger Reserve	Unrecog-nised Fair Value Merger Reserve	Total equity
	€000	€000	€000	€000	€000	€000	€000
Balance as at 1 July 2020	**315,407**	**142**	**7,316**	**(2,443)**	**320,422**	**(321,073)**	**(651)**
Loss for the year	–	–	(1,800)	–	(1,800)	–	(1,800)
Reduction in share capital	(75,000)	–	75,000	–	-	–	–
Acquisition of related party under common control	–	–	–	–	–	(7,109)	(7,109)
Other comprehensive income for the year	–	–	(378)	2,253	1,875	–	1,875
Balance at 30 June 2021	**240,407**	**142**	**80,138**	**(190)**	**320,497**	**(328,182)**	**(7,685)**

Supplementary information - Unrecognised Fair Value Merger Reserve:

Management has used the retrospective presentation method or merger accounting. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been adjusted to reflect the statutory share capital of PCC Global Plc, with the difference relating to unrecognised fair value and presented in a merger reserve.

Parent Company Statement of Financial Position

As at 30 June 2022

	Notes	2022 €000	2021 €000
Assets			
Non-current assets			
Intangible assets		2,165	–
Deferred tax asset		1,998	–
Share in Group undertakings		394,441	394,441
		398,604	**394,441**
Current assets			
Trade and other receivables	4	143,613	62,685
Cash and cash equivalents	4	51,071	1,060
		194,684	63,745
Total assets		**593,288**	**458,186**
Liabilities			
Current liabilities			
Trade and other payables	5	12,743	3,947
		12,743	3,947
Non-current liabilities			
Borrowings - 3rd party		321,000	–
Long term trade payables	6	6,774	138,229
		327,774	138,229
Total liabilities		**340,517**	**142,176**
Net Assets		252,771	316,010
Equity			
Share capital	7	240,407	240,407
Capital reserve		142	142
Cumulative translation reserve		(3)	(3)
Retained earnings		12,225	75,464
Total Equity		**252,771**	**316,010**

As permitted by Section 408 of the Companies Act 2006, no Income Statement account of the Company is included in these financial statements. The profit for the financial period for the Company was €13,239,000 (2021: loss of €442).

These financial statements were approved by the Board of Directors on 16 December 2022 and signed on its behalf by

Seán Shine ***Laurent T. Salmon***

Consolidated Statement of Cashflow

For the year ended 30 June 2022

	Notes	2022 €000	2021 €000
Loss from continuing activities before tax		**(3,245)**	**(4,868)**
Adjustments for:			
Depreciation of property, plant and equipment	10	16,519	13,805
Non-cash gains on acquisitions	8	(2,442)	–
Amortisation of intangible assets	13	22,661	15,699
Amortisation of right-of-use assets	20	24,527	20,948
Gain on assets disposal	8	(1,416)	(283)
Amortisation of Government grants	4	(65)	
Share of equity accounted investments	14	(698)	(501)
Net finance costs	6, 7	19,659	5,326
Operating cash inflows before movements in working capital		**75,500**	**50,126**
(Decrease) / Increase in inventories		(11,653)	685
Decrease / (increase) in receivables		15,840	(8,057)
Increase / (decrease) in payables		12,038	(6,941)
Increase in government grants	21	–	142
Increase / (decrease) in deferred income		1,571	(840)
Cash contributions to defined benefit pension schemes		(50)	31
(Decrease) / Increase in other provisions	22	(3,961)	2,363
Cash generated from operations		**89,285**	**37,509**
Interest paid		(8,086)	(2,899)
Interest income		4	–
Income tax paid		(753)	(778)
Net cash generated by operating activities		**80,450**	**33,832**
Cash flows from investing activities			
Payments for property, plant and equipment		(9,609)	(17,826)
Payments for intangible assets		(37,847)	(5,670)
Proceeds for intangible assets		–	1,105
Proceeds from disposal of property, plant and equipment		641	–
Proceed from sale company to related party		1,198	–
Payments for acquisition of subsidiaries, net of cash acquired	11	(13,515)	(4,490)
Dividends received from joint ventures		700	233
Net cash used in investing activities		**(58,432)**	**(26,648)**

continued...

Consolidated Statement of Cashflow

For the year ended 30 June 2022 (continued)

	Notes	2022 €000	2021 €000
Cash flows from financing activities			
Repayments of capital element of lease liabilities	20	(25,555)	(23,372)
Repayment of borrowings, 3rd party		(11,987)	(3,138)
Repayment of borrowings, related party		(2,841)	–
Proceeds from borrowings		16,261	2,132
Proceeds from Bonds, net of deferred fees		175,578	–
Dividends		(50,000)	–
Net cash increase/(decrease) generated by financing activities		**101,456**	**(24,378)**
Net increase/(decrease) in cash and bank overdrafts		**123,474**	**(17,194)**
Cash net of bank overdrafts at the beginning of the year		**90,124**	**107,028**
Net increase/(decrease) in cash and bank overdrafts		123,474	(17,194)
Effect of exchange rate changes on cash and bank overdrafts held in foreign currencies		162	290
Cash net of bank overdrafts at the end of the year		**213,760**	**90,124**

Supplementary information – analysis of net debt

	2021 €000	Cash flow €000	Transfer (non Cash)	Exchange difference €000	Non cash €000	Acquisition movements €000	At 30 June 2022 €000
Cash and cash equivalents	96,175	120,021	-	270	-	2,896	219,362
Bank overdrafts	(6,051)	557	-	(108)	-	-	(5,602)
Cash net of bank overdrafts	**90,124**	**120,578**	**-**	**162**	**-**	**2,896**	**213,760**
Bank loans	(45,871)	(4,274)	-	(273)	-	(6,299)	(56,717)
Net Loan with related party	(136,283)	2,841	140,370	245	-	-	7,173
Bonds net of unamortised issue costs	-	(175,578)	(140,370)	-	(818)	-	(316,766)
Lease liabilities	(76,709)	25,555	-	23	(13,671)	(14,225)	(79,027)
Net debt	**(168,739)**	**(30,878)**	**-**	**157**	**(14,489)**	**(17,628)**	**(231,577)**

Cash and cash equivalents (which are presented as a single class of assets on the face of the Condensed Consolidated Statement of Financial Position) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less, calculated at origination. The effective interest rates on cash and cash equivalents are based on current market rates.
Non-cash movements include amortisation of bond issue costs of €818,000 (2021: €NIL). Non-cash right-of-use lease movements of €13,671,000 (2021: €25,550,000) include asset additions, discounting and remeasurements and are itemised in further detail in note 20.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1 General information

PCC Global Plc ('the Company') is a company domiciled and incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2022, comprise those of the Company and its subsidiaries (together referred to as 'the Group').

The registered office of the Company is Lower Ground Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB, UK. The financial statements were authorised for issue by the Directors on 16 December 2022.

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the UK-adopted international accounting standards.

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 30 June 2022:

- Amendments to IAS 16: Property, Plant and Equipment (PPE) – Proceeds before Intended Use
- Amendments to IFRS 3 Business Combinations – Conceptual Framework
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets and Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 7, and IFRs 16 – Interest rate Benchmark reform – Phase 2 (effective 1 January 2021)
- Amendments to IFRS 16, 'Leases' – Covid 19 related rent concessions Extension of the practical expedient (effective 1 April 2021)
- Annual Improvements 2018-2020

The following standard amendment was issued for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies. The amendment was adopted effective 1 January 2023 and will
- not result in a material impact on the Group's results entered into before the date of transition

The adoption of the above standards, policies, interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

Standards issued but not yet effective are not expected to have a material impact on next year's financial statements.

Predecessor Accounting

PCC Global Plc was incorporated on 13 March 1998. This is PCC Global Plc's first set of consolidated accounts, having not been prepared previously. As detailed below a number of entities have been acquired from other companies who are under common control, these were not deemed to be acquisitions with the scope of IFR3 3 business combination accounting. Therefore, in preparing the consolidated financial statements group reconstruction accounting has been applied, as explained more fully below. The impact of this is the consolidated financial statements of the group are presented as if the group had existed in its current form:

PCC Global Plc acquired the following shareholding from Grenadier Holdings Plc, a common control company:

a) On 31 May 2019, acquired 100% of PCC limited

b) On 18 June 2019, acquired 99.9% of Paragon Transaction SA

c) On 18 June 2019, acquired 80% of Gresset SAS

d) On 18 June 2019, acquired 100% of Rault Eppe Solutions SAS

e) On 18 June 2019, Grenadier Holdings Plc sell Arcania SAS to Paragon Transaction UK Limited, a subsidiary of Paragon Transaction SA

f) On 18 June 2019, Paragon Financial Investment sold PCC Netherlands BV to Paragon Transaction UK Limited, a subsidiary of Paragon Transaction SA

g) 13 November 2019, acquired 100% of Paragon MeillerGHP Holding GmbH

h) 23 June 2020, Grenadier Holdings Plc sold 100% of D'Haussey Solutions International SAS to Paragon Transaction SA.

PCC Global Plc acquired the following shareholding from Paragon Customer Communications Schwandorf GmbH, a common control company:

a) On 18 June 2019, acquired 100% of MGHP Sweden AB

b) On 18 June 2019, acquired 100% of PCC Poland Sp. Z.o.o.

PCC limited a subsidiary of PCC Global Plc acquired from Paragon Graphics Limited, a common control company

a) On 1 July 2020, acquired 100% of Print Trade Suppliers Limited

b) On 1 July 2020, acquired 100% of Global Document System Limited

PCC Netherlands Holdings BV a subsidiary of PCC Global Plc acquired from Paragon Financial Investment Limited, a common control company

a) On 30 June 2021, acquired 100% of Paragon Customer Communications Belgium NV

These do not constitute a business combination under IFRS 3 'Business Combinations' as it is effectively a combination under common control. There is currently no guidance in IFRS on the accounting treatment for combinations among entities or businesses under common control. IAS 8 requires management, if there is no specifically applicable standard or interpretations, to develop a policy that is relevant to decision-making needs of users and that is reliable. The entity first considers requirements and guidance in other international standards and interpretations dealing with similar issues, and then the content of IASB's Conceptual Framework for Financial Reporting. Management might consider the pronouncements of other standard-setting bodies that use a similar conceptual framework to the IASB's, provided that they do not conflict with the IASB's sources of guidance.

Considering the facts and circumstances management has decided to apply a method broadly described as predecessor accounting. The principles of predecessor accounting are:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. These equate to the book values of assets and liabilities in the previous consolidation. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

- Any difference between given, which is an intercompany loan determined at fair value, and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in retained earnings or in a separate reserve called Unrecognised Fair Value Merger Reserve,
- Management has used the retrospective presentation method or merger accounting. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been adjusted to reflect the statutory share capital of PCC Global Plc, with the difference relating to unrecognised fair value and presented in an Unrecognized Fair Value Merger Reserve.

PCC Group is made up of 4 Divisions which are aligned by Management control, these are Western Europe, DACH, BENE and UKIE. This is not based on geographical location but by management of operations. Each division provides a range of service to our clients to improve their communication with their customers.

These consolidated financial statements of the Group are the first set of the newly formed Group and prior periods has been presented.

2 Significant accounting policies

Basis of preparation

The going concern basis has been applied in these accounts. The consolidated financial statements are presented in Euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that certain financial instruments are stated at fair value.

Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

In the process of applying the Group's accounting policies, management has made judgements as to the policies that have the most significant effect on the amounts recognised in the financial statements. The accounting estimates and assumptions that management considers to be its critical accounting estimations are detailed and explained in Paragraph (w) and (x) below.

The accounting policies set out below have been applied to all periods presented.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 30 June 2022. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investments with the entity and could affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidation from the date that control ceases. The purchase method is used to account for the third party acquisition of subsidiaries. The merger accounting method is used for internal Group reorganisations. Under the purchase method the cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred in exchange for the subsidiary.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at fair value at the acquisition date. All acquisition costs are expensed immediately.

The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets and is subsequently adjusted by their share of changes in equity since the date of acquisition.

Intercompany transactions and balances between Group entities are eliminated on consolidation. Where necessary, the accounting policies applied by subsidiaries have been changed to ensure consistency with the accounting policies applied by the Group.

(b) Revenue recognition

Revenue is measured at the transaction price that is allocated to the relevant performance obligations, net of trade discounts, up-front payments, VAT and other sales-related taxes.

A performance obligation is a promise in a contract with a customer to transfer to the customer either goods or services.

Revenue is recognised over time when a performance obligation is satisfied by the customer simultaneously receiving and consuming the benefits over the period of the contract.

When a payment is received in advance of a performance obligation being satisfied it is recorded on the balance sheet as deferred revenue. Revenue is then recognised at the point in time or over the period that the performance obligation is satisfied.

Additionally, a small proportion of Group revenue is received through rental income. This is mainly related to spare warehouse and office space leased to private individuals and companies. Rental income is recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease.

The Group revenue comprises of similar types of products and services across all four divisions.

Within Paragon Customer Communications revenue is recognized based on its revenue streams:

The Customer Engagement and Marketing revenues include creative and studio services, marketing planning, analytics execution and procurement, digital marketing, direct mail and marketing print, logistics, fulfilment and supply chain management and tech consulting and marketing services.

Business Process and Transactions revenues include transaction services, secure and regulatory communications, strategic and security document printing, document solutions, omnichannel inbound, BPO/ BPS physical and digital, postal optimisation, consulting and integration.

Digital Customer Experience revenues include data insights, data management, secure data processing and archiving, data compliance, digital platform development and data technology services.

In all cases the performance obligation is generally defined at the level of each good and is not bundled.

Revenue is recognised when control of the asset is transferred and this typically occurs on delivery, with revenue recognised at that point in time. No other performance obligations have been identified. Modifications are treated as amendments to existing contracts. Customer advance payments are recognised as deferred income liabilities until the performance obligations have been completed and revenue recognised.

Customers are not offered a contract with significant funding components. There are no warranties in place.

(c) Going concern

The Directors have performed an assessment of going concern, including a review of the Group's current cash position, available

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

banking facilities and financial forecasts for 2022 and 2023, including the ability to adhere to banking covenants. In doing so the Directors have considered the uncertain nature of the current COVID-19 pandemic, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash.

Financial Forecasts

Three scenarios were considered for the Group in preparing our going concern assessment, being a management case showing FY 2022 in line with expectations and one other scenarios using a set of severe but plausible downside assumptions to that management case. The management case which is built up from detailed projections for each of the Group's businesses and markets includes the following key assumptions:

- Our management case anticipates that volume would be steady for the remainder of 2022 and into 2023
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes such as reducing repairs and maintenance costs;
- Additional reductions in support costs to reflect the impact of the extensive cost reduction initiatives implemented by the Group including the implementation of a recruitment freeze, deferral of executive bonuses and graduated salary reductions for support staff across the business:
- The downside case included further reductions of 10%, 15% and 28% in turnover across the four divisions for the remainder of 2022 and on into 2023 to reflect a scenario of a deeper economic impact, region specific lockdowns in the UK and a slower recovery over the course of next year. Those projections showed that the Group will continue to operate viably over that period.

Outcome of assessment

Overall the Group traded in line with the management case for the first four months of the 2023 financial year and has remained profitable at an underlying EBITDA level which further underlines the resilience and adaptability of our business during this difficult time.

The Directors are confident that the Group is now well positioned to manage its business risks and have considered a number of factors including current trading performance, the outcomes of comprehensive forecasting, a range of possible future trading impacts, and existing liquidity. The Directors are of the view that there is a reasonable expect that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements, and there are no material uncertainties that the Directors are aware of in relation to this.

(d) Non-underlying items

The Group has adopted an accounting policy and Income Statement format that seeks to highlight significant items of income and expense within the Group results for the year. The Directors believe that this presentation provides a more useful analysis. Such items may include significant restructuring and integration costs, profits or losses on disposal or termination of operations or significant contracts, litigation costs and settlements, profit or loss on disposal of investments, significant impairment of assets and acquisition related profits or losses. The Directors use judgement in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Income Statement and Note 8 as non-underlying items.

(e) Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition.

Both fair value and provisional fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out below.

Other intangible assets – software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Statement of Financial Position at cost. These assets are amortised on a straight line basis over their estimated useful lives, which is generally three to five years.

Other intangible assets – development expenditure

Expenditure incurred in the development of products or enhancements to existing product ranges is capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Consolidated Income Statement as incurred. Capitalised development costs are amortised on a straight-line basis over their estimated useful economic lives, which vary between three and five years, once the product or enhancement is available for use. Product research costs are written off as incurred.

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally three to fifteen years

Other intangible assets – licences

Licences are recorded at fair value at the date of acquisition. They are fully amortised over their estimated useful lives which is generally three to five years.

(f) Property, plant and equipment

Costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the Consolidated Income Statement during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Freehold land is not depreciated.

Depreciation is charged, other than on freehold land, so as to write off the cost or valuation of assets evenly over their estimated useful lives, as follows:

- Freehold buildings 10 to 40 years
- Plant and machinery 3 to 10 years
- Fixture, fittings and equipment 2 to 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Revaluation

Land and buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses. Revaluations will be carried out regularly by independent valuers, so that the carrying amount of the Group's property portfolio does not differ materially from its fair value at the balance sheet date. The last revaluation was carried out on 30 June 2022. If an item is revalued, the entire class of assets to which that asset belongs is also revalued.

Revalued assets are depreciated in the same way as noted above.

If a revaluation results in an increase in value, it will be credited to other comprehensive income and accumulated in equity under the heading "revaluation reserve" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it will be recognised in profit or loss. A decrease arising as a result of a revaluation will be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss.

At the 30 June 2022, the Group decided to revalue land & buildings. As this is first time adoption, there is no requirement to apply the accounting policy retrospectively.

(g) Investment in trade investments, joint ventures and associates

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more others ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements joint ventures are accounted for using the equity method.

Associates are entities in which the Group has significant influence arising from its power to participate in the financial and operating policy decisions of the investee. Associates are recognised using the equity method from the date on which significant influence is obtained until the date on which significant influence is lost.

Trade investments are carried at fair value. An assessment of fair value is undertaken at each reporting date by way of review of financial statements and discussions with both management and members of the Board.

(h) Impairment

The carrying amounts of the Group's intangible assets and property, plant and equipment are reviewed at each Consolidated Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment charge is recognised in the Consolidated Income Statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

A reversal of an impairment loss is recognised as income immediately in the Consolidated Income Statement.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is valued on a first in, first out ('FIFO') basis. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in selling and distribution.

(i) Tax

The tax expense in the Consolidated income statement comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Consolidated Statement of Financial Position date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited to the Consolidated Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated. Where the time value of money is material, provisions are discounted at a pre-tax rate. When a provision needs to be released, the provision is taken back to the Consolidated Income Statement within the line where it was initially booked.

Provisions for restructuring costs

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline and the employees affected have been notified of the plan's main features.

Provisions for dilapidations

Dilapidations are the provisions recorded for the costs of returning properties held under lease to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease.

Provisions for retirement costs

Certain European countries in which the Group operates oblige the employer to provide lump sum termination payments.

The provisions have been calculated with reference to specified individuals who are entitled to this arrangement. The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. Eventual settlement of this provision is dependent on the final retirement date for each individual concerned.

(l) Foreign currencies

Transactions in foreign currencies other than Euro are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Consolidated Statement of Financial Position date are translated into Euro at the exchange rate ruling at that date.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at exchange rates ruling at the date the fair value was determined.

Exchange differences arising on translation of non-monetary assets and liabilities are recognised in Other Comprehensive Income and recorded within cumulative translation reserves.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Euro at the rates prevailing at the Consolidated Statement of Financial Position date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising on retranslation of non- monetary assets and liabilities are recognised directly within cumulative translation reserves. Exchange differences arising on non-monetary assets and liabilities that are fair valued are recognised in accordance with the gain or loss on fair value.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

PCC Global Plc consolidated financial statements are presented in Euros, which is the parent company's functional currency and presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency, which is determined on the primary economic environment. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(m) Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Trade receivables

Trade receivables do not carry any interest and are initially measured at the transaction price and subsequently held at amortised cost. For trade receivables, the transaction price is deemed to be equal to fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are held at amortised cost.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 24 for further details.

Credit risk arising in the context of the Group's operations is not significant with the total bad debt provision at the Consolidated Statement of Financial Position date amounting to 10.8% of gross trade receivables (2021: 9.9%). Customer credit risk is managed centrally according to established policies, procedures and controls. Customer credit quality is assessed in line with strict credit rating criteria and credit limits established where appropriate.

Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively. A significant proportion of the Group's trade receivables are insured to mitigate against large losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short term investments with an original maturity of three months or less.

Factoring and invoice discounting arrangements

The Group is party to a debt factoring arrangement which enables it to accelerate cash flows associated with trade receivables, where advances received are without recourse. Where receivable balances have been sold and the risk and rewards have been transferred to the factorers, the remaining amount is held within the receivable balance and is due from the debt factors.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Financial assets held at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets held at amortised cost. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Finance charges are accounted for on an accruals basis to the Consolidated Income Statement using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arise.

Deferred consideration

Deferred consideration is initially recognised as the present value of the expected future payments. This is initially measured at fair value then subsequently at amortised cost. Deferred consideration also includes an element of contingent consideration which is measured at fair value. It is subsequently remeasured at each reporting period with the change in fair value relating to changes in expected future payments recorded in the Consolidated Income Statement. Changes in fair value relating to the unwinding of discount to present value are recorded as a finance expense.

(n) Retirement benefits

The Group operates both defined benefit and defined contribution schemes for its employees.

Payments to the defined contribution schemes are expensed to the Consolidated Income Statement as they fall due.

For the defined benefit pension scheme full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

The retirement benefit obligation recognised in the Consolidated Statement of Financial Position represents the present value of the defined benefit obligations and unrecognised past service costs, and as reduced by the fair value of the scheme's assets.

Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions to the scheme.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

(o) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets or for a duration of twelve months or less.

The Group has elected to apply the recognition exemptions for short-term and low value leases and recognises the lease payments associated with these leases as an expense within the

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Consolidated Income Statement on a straight-line basis over the term of the lease.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred; and the amount of any dilapidations provisions recognised where the Group is contractually required to dismantle, remove or restore the leased asset. Right-of-use assets are disclosed under three separate categories in the financial statements. These include land and buildings, plant and equipment and other (made up of fixtures & fittings and software).

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless, as is typically the case, this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right- of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, if rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate of index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

The Group as lessor

Rental income from operating leases which are less than twelve months in duration is recognised on a straight-line basis over the term of the relevant lease within revenue on the Consolidated Income Statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are recognised on a straight-line basis over the term of the leases. The Group does not act as a lessor on any lease which are longer than twelve months in duration.

(p) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition- date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during

the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets and is subsequently adjusted by their share of changes in equity since the date of acquisition.

(q) Government grants

Amounts receivable from government grants are presented in the financial statements only when there is reasonable assurance that the Group fulfils the necessary conditions and that the grants will be received. Reported payroll is net of any COVID-19 payroll assistance received through national Governments.

Government grants in relation to income are credited in the Consolidated Income Statement for the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Government grants in relation to property, plant and equipment are credited to deferred income and released to income on the same basis that the related asset is depreciated.

(r) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(s) Non-statutory measures

- EBIT/EBITDA;

  EBITDA is earnings before, corporate charges, interest, tax, depreciation and amortisation. It also includes all restructuring and non-underlying items and any gains/(losses) arising on or from acquisitions (including gains on bargain purchases).

- Underlying EBIT/EBITDA

  Underlying EBIT and EBITDA is stated after adjusting for items which in the opinion of the Directors are non-underlying due to their nature, size or incidence. Whilst costs/gains of this nature can reoccur they have been highlighted to provide a better understanding of the underlying performance of this trading group.

- Proforma sales, EBIT, EBITDA and Underlying EBITDA

  The Consolidated Income Statement includes the impact of acquisitions from their effective date of acquisition. Proforma amounts reported in the Strategic Report include in the Directors' opinion the full year impact of acquisitions that were made during the year based on an estimate of performance had these entities benefitted from being part of the Paragon Group for the full year.

- Net debt

  Net debt includes cash and cash equivalents less bank overdrafts, bank loans, related party loans, bonds net of unamortised issue costs and lease liabilities.

(t) Bargain purchase

If the fair value of the net identifiable assets of the subsidiary acquired is in excess of the cost of the acquisition and the measurement of all amounts has been reviewed, the difference is recognised directly in Consolidated Income Statement as a bargain purchase within other operating income. Please see note 8 to the financial statements for further detail in relation to bargain purchase.

(u) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

(v) Discontinued operations

Discontinued operations are reported when a component of the Group has been disposed of, or when a sale is highly probable, and its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and is classified as held for sale or has been disposed of. The Group classifies a non-current asset or disposal group as held for disposal if its carrying value will be recovered through a sales transaction or distribution to shareholders rather than continuing use. In the Consolidated Income Statement, discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations. Corresponding notes to the Consolidated Income Statement exclude amounts for discontinued operations, unless stated otherwise.

(w) Corporate charges

Corporate charges from the Parent company, including brand and other corporate charges. Corporate charges includes professional fees incurred for raising of financing opportunities, which are non operating.

(x) Critical accounting judgements

In the course of applying the Group's accounting policies the following judgements have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Cash generating units

A cash generating unit ("CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Because the CGU definition is based on cashflows, the division process should focus on an entity source of revenue and how assets are utilised in generating revenues.

Goodwill acquired in business combinations is allocated, at acquisition, to the CGUs that are expected to benefit from the business combination.

Management makes decisions around revenues on a regional basis as set out above and management make decisions on this basis. The aim is to negotiate deals on a regional basis with invoices sold across each region and therefore the cashflows are interdependent on each other. The four CGU's recognised by the Group are the UKIE, Dach, BeNE and Western Europe.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units that is expected to benefit from the synergies of the combinations.

As the group evolves the appropriateness of the CGUs is monitored and when necessary, updated.

Non-underlying item presentation

IAS 1 'Presentation of Financial Statements' requires material items to be disclosed separately in a way that enables the users to assess the quality of a company's profitability. In practice, these are commonly referred to as 'non-underlying' items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in headline profit. We consider items which are non- recurring and/or significant in size or in nature to be suitable for separate presentation. Please see note 8 to the financial statements for further details in relation to non-underlying items.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

2 Significant accounting policies (continued)

Lease terms

Many of the Group's leases have options to renew or terminate. The Group applies judgement in evaluating the length of the lease. Management consider all relevant factors and, in particular, if an economic incentive exists to renew or terminate. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The Group periodically assesses this, or more frequently if circumstances change.

Calculation of incremental borrowing rate

Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments to value the lease liability and applicable right-of-use asset. This discount rate can be either the interest rate implicit in the lease or the lessee's incremental borrowing rate (IBR). This rate directly impacts the carrying value of the lease liability and right-of- use assets. When the rate of interest implicit in the lease was not readily determinable, the Group used the IBR approach.

The incremental borrowing rate is derived from contractual lease rates at the date of transition. Management reviewed the data provided by the Group's operations throughout in order to conclude using a build-up approach that takes into consideration the lessee's risk profile and the specific lease characteristics. These characteristics include the type of leased assets, the term of the lease and the currency of the lease.

(x) Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The following areas of estimation could have a significant effect on the results of the Group were they subsequently found to be inaccurate.

Useful life of intangible assets

In determining the useful life intangible assets for amortisation purposes, the Group considers the period of expected cash flows used to measure the fair value of the recognised intangible asset, adjusted for entity-specific factors. Those entity-specific factors include, but are not limited to, the entity's expected use of the asset and the entity's historical experience in renewing or extending similar arrangements.

Contingent consideration

On 1 October 2020, the Group acquired the entire issued share capital of Paragon Business Process Services SAS (formerly CB Info SAS). The consideration included an amount of contingent consideration. This contingent consideration has been fair valued at €nil in line with EBITDA targets.

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Please see note 23 to the financial statements for further details.

Forecasts and discount rates

The carrying values of goodwill is dependent on estimates of future cash flows arising from the Group's operations which, in some circumstances, are discounted to arrive at a net present value. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows (value in use). Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Both the cash flows and the discount rate involve a significant degree of estimation uncertainty. Please see note 12 to the financial statements for further details.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

3 Revenue

An analysis of the Group's revenue from continuing operations as defined by IFRS 15 – 'Revenue from Contracts with Customers'.

'Revenue' is as follows:

	2022 €000	2021 €000
UKIE	571,570	483,068
Western Europe	219,673	195,716
DACH	231,621	212,679
BENE	57,581	51,483
Related Party	7,152	3,097
Rental income	470	462
Total revenue	**1,088,067**	**946,505**

UKIE includes UK, Luxembourg, Bulgaria and Ireland

DACH includes Germany, Poland, Sweden and Czech Republic.

Western Europe includes France, Spain, Italy, and Romania.

BENE includes Belgium and Netherlands

Revenue over time amounted to €202,000,000 (2021: €181,000,000)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

4 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2022 €000	2021 €000
Auditor's remuneration:		
Audit fees:		
– Audit of the Group accounts	179	–
– Audit of the accounts of the Company's subsidiaries by Grant Thornton UK LLP	273	–
– Audit of the accounts of the Company's subsidiaries by the Group auditors	742	–
– Audit of the accounts of the Company's subsidiaries by others	312	–
Non-audit fees to Group auditors:		
Corporate finance transactions	–	–
Other assurance services	–	–
Audit related assurance services	298	–
Other non-audit services not covered elsewhere:		
Tax compliance services	–	–
Tax advisory services	–	–
Audit and non-audit fees	**1,604**	–
Foreign exchange loss	218	138
Non-underlying net expenses (note 8)	13,422	26,955
Lease charges (note 20)	1,292	429
Depreciation of property, plant and equipment (note 10)	16,519	13,805
Amortisation of intangible assets (note 13)	22,661	15,699
Amortisation of government grants (note 21)	(65)	–
Amortisation of right-of-use assets (note 20)	24,527	20,948
Depreciation and amortisation	**63,642**	**50,452**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

5 Staff costs

The average monthly number of employees (including Executive Directors) are:

	2022 No.	2021 No.
Production	6,269	5,750
Administration	1,173	1,179
	7,442	**6,929**

Their aggregate remuneration comprised:

	2022 €000	2021 €000
Wages and salaries	308,207	270,386
Social security costs	43,300	43,186
Other pension costs	6,394	5,984
	357,901	**319,556**

Directors emoluments (key management personnel)

	2022 €000	2021 €000
Remuneration	1,089	604
Company contributions paid to money purchase scheme	5	3
	1,094	**607**

	2022 No.	2021 No.
Members of money purchase pension schemes	**1**	**1**

The remuneration of certain Executive Directors is not included in the above, as they are paid in a related party company. These certain directors are also directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

6 Finance income

	2022 €000	2021 €000
Foreign exchange gains on retranslation of intercompany loan balances	–	1,691
Related Party interest	192	532
Other interest income	98	20
	290	**2,243**

7 Finance cost

	2022 €000	2021 €000
Bond interest	11,588	–
Bank loans and overdrafts	4,593	2,759
Foreign exchange gains on retranslation of intercompany loan balances	365	–
Finance charge on leased liabilities	2,319	2,238
Net interest on retirement pensions & defined benefit schemes (Note 24)	50	65
Related party interest	157	2,216
Amortisation of capitalised bond issue costs	818	–
Other finance costs	59	291
	19,949	**7,569**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

8 Non-underlying items

Non-underlying items are those which in the opinion of the Directors are non-underlying due to their nature, size or incidence. Whilst costs of this nature can reoccur, they have been highlighted to provide a better understanding of the underlying performance of this trading group.

Non-underlying items disclosed on the face of the Consolidated Income Statement are as follows:

Continuing operations

Non-underlying (credits)/charges that arose are as follows

	2022 €000	2021 €000
Redundancy and related charges (a)	13,040	19,198
Costs of industrial relocation, restructuring and consolidation (b)	2,578	7,450
Other (d)	246	307
Gain on acquisition (e)	(2,442)	–
Non-underlying net expenses impacting EBITDA[1]	**13,422**	**26,955**
Corporate charges (c)	3,132	–
Gain on asset disposals (f)	(1,416)	(283)
Non-underlying net expenses/(gains)	**15,138**	**26,672**
Income tax credit	(1,584)	(2,987)
	13,554	**23,685**

a) Redundancy and related charges include the redundancy, payroll and related charges that arise from the closure of locations and the reduction of staff resources at various locations. in the UK and France. Also included are costs associated with redundant roles from the point of acquisition and restructuring programme.
b) Costs of industrial relocation, restructuring and consolidation includes the charges arising from the close of locations, relocation of activities between sites in the UK.
c) Corporate charges relating to professional fees in relation to financing
d) Amounts included in other non-underlying items are costs to establish new operations.
e) Gain on bargain purchase
f) Gain on asset disposal in the current year arose on the sale of property, plant and equipment.

2. Underlying EBITDA is defined in Note 2(s) on page 101

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

9 Income tax

Income tax on the (loss)/profit as shown in the Consolidated Income Statement is as follows:

	2022 €000	2021 €000
Current tax		
Current period	1,626	2,964
Adjustments for current tax on prior periods	476	(718)
Total current tax charge	**2,102**	**2,246**
Origination and reversals of temporary differences	(3,288)	(5,274)
Adjustments for deferred tax on prior periods	1,449	(40)
Total deferred tax credit (note 23)	**(1,839)**	**(5,314)**
Total income tax charge/(credit)	**263**	**(3,068)**

The credit can be reconciled to the (loss)/profit before tax as shown in the Consolidated Income Statement as follows:

	2022 €000	2021 €000
Loss before tax	**(3,245)**	**(4,868)**
Tax calculated at a rate of 19% (2021 – 19%)	(617)	(924)
Non-taxable income	(175)	(166)
Non-deductible expenses	2,608	(1,255)
Effect of changes in tax rates	(1,943)	(2,316)
Losses carried forward not recognised	1,212	4,730
Utilisation of previously unrecognised losses	(1,887)	(313)
Effect of different tax rates of subsidiaries	191	(195)
Foreign exchange differences	(68)	228
Related party tax relief - not at standard rate	(983)	(2,073)
Other	–	(26)
Adjustments in respect of prior periods	1,925	(758)
Total income tax credit	**263**	**(3,068)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

9 Income tax credit (continued)

The Finance Act 2020 included legislation to maintain the main rate of UK corporation tax at 19%, rather than reducing it to 17% from 1 April 2020. The change to the main rate of corporation tax was substantively enacted by the balance sheet date and therefore included in these financial statements. The UK Budget announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. Temporary differences have been remeasured using these budget tax rates that are expected to apply when the liability is settled, or the asset realised.

Income tax on the loss as shown in the Consolidated Statement of Comprehensive Income is as follows:

	2022 €000	2021 €000
Deferred tax (credit)/charge on origination and reversal of temporary differences (note 24)	–	(282)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

10 Property, plant and equipment

	Land and buildings €000	Plant and machinery €000	Fixtures, fittings & equipment €000	Total €000
Financial year ended 30 June 2021				
Opening Net book Value	7,864	31,686	2,280	41,830
Acquisition from related party	–	753	7	760
Reclassification	–	(482)	476	(6)
Additions	1,536	14,347	1,358	17,241
Transfers from related party	254	699	(10)	943
Acquisitions	118	367	12	497
Disposals	(4)	(1,768)	(60)	(1,832)
Depreciation	(1,681)	(11,033)	(1,091)	(13,805)
Exchange movements	242	989	44	1,275
Net carrying value at 30 June 2021	**8,329**	**35,558**	**3,016**	**46,903**
At 30 June 2021				
Cost or deemed cost	21,989	151,921	12,544	186,454
Accumulated depreciation	(13,660)	(116,363)	(9,528)	(139,551)
Net book Amount	**8,329**	**35,558**	**3,016**	**46,903**
Financial year ended 30 June 2022				
Opening Net book Value	8,329	35,558	3,016	46,903
Reclassification	1,842	(1,845)	3	–
Additions	1,861	6,413	1,335	9,609
Acquisitions	–	6,183	–	6,183
Revaluation	8,081	–	–	8,081
Disposals	(26)	(295)	–	(321)
Depreciation	(1,508)	(12,991)	(2,020)	(16,519)
Exchange movements	91	(12)	28	107
Net carrying value at 30 June 2022	**18,670**	**33,011**	**2,362**	**54,043**
At 30 June 2022				
Cost or revalued/deemed cost	29,257	154,044	11,389	194,690
Accumulated depreciation	(10,587)	(121,033)	(9,027)	(140,647)
Net book Amount	**18,670**	**33,011**	**2,362**	**54,043**

The Group has freehold land, included within land and buildings, with a book value of €727,000 (2021: €727,000), which has not been depreciated.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

10 Property, plant and equipment (continued)

The book cost of Land & Buildings would have been if the Group had not revalued them would be

At 30 June 2022:	
Cost or deemed cost	**27,380**
Accumulated depreciation	**(16,791)**
Net book Amount	**10,589**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

11 Acquisitions

Acquisition of Williams Lea CCM Limited

On the 1 April 2022, the Group acquired the entire issued share capital of Williams Lea CCM Limited.

In calculating the goodwill arising from this acquisition, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. The fair value of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	621
Customer relationships	3,242
Software	1,263
Right-of-use assets	8,791
Deferred tax asset	1,488
Non-current assets	**15,405**
Trade and other receivables	7,293
Inventories	1,202
Cash and cash equivalents	920
Current assets	**9,415**
Total assets	**24,820**

	Fair value €000
Trade and other payables	8,465
Deferred income	38
Lease liabilities	8,791
Deferred tax liabilities	583
Other provisions	799
Total liabilities	**18,676**
Net assets	**6,144**
Fair value of consideration	5,118
Borrowings repaid on acquisition	5,681
Goodwill (Note 12)	**4,655**

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

An income approach incorporating the multi-period excess earnings methodology (MEEM) was used in assessing the valuation of the core business contracts and relationships as at the date of acquisition.

The fair value of the customer relationships was based on an external valuation prepared by specialists with the direct experience of the types of assets concerned. The fair value of consideration comprised of a cash payment of €5,118,000, and loan settlement of €5,681,000. All acquisition costs were included in other operating costs in the income statement.

Williams Lea CCM Limited was acquired to strengthen our capabilities in the transactional sphere, with them bringing a highly experienced and dedicated team. They have a strong history of delivering excellent work for major financial services, legal and professional services business.

In respect of the acquisition, revenue of €12,875,000 and EBITDA[1] of €396,000, have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €50,545,000 and EBITDA[1] of €3,171,000.

1. EBITDA is defined in Note2(s) on page101

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

11 Acquisitions (continued)

Acquisition of controlling interest in The Lettershop Group (TLG)

On the 15 June 2022, the Group acquired the entire issued share capital of Hamsard 3302 Limited. In turn this company owns 100% of The Lettershop Limited. The following company was created on acquisition – Eco MLR Limited – which is owned 80% of The Lettershop Limited and 20% by Prudential Insurance Company.

In calculating the goodwill arising on this acquisition, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. The fair value of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	4,014
Other Intangible	724
Right-of-use assets	201
Deferred tax asset	735
Non-current assets	**5,674**
Inventories	1,488
Trade and other receivables	4,454
Cash and cash equivalents	790
Current assets	**6,732**
Total assets	**12,406**

	Fair value €000
Trade and other payables	8,876
Lease liabilities	201
Income tax payable	34
Total liabilities	**9,111**
Net assets	**3,295**
Fair value of consideration	**853**
Gain on bargain purchase (note 13)	**2,442**

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

An income approach incorporating the multi-period excess earnings methodology (MEEM) was used in assessing the valuation of the core business contracts and relationships as at the date of acquisition Development expenditure was based upon an internal valuation model using the cost approach.

The fair value of the customer relationships was based on an internal valuation model. The fair value of consideration comprised of a cash payment of €853,000. All acquisition costs were included in other operating costs in the Income Statement.

The Lettershop Group, produce innovative direct mail and packaging solution for some of the leading UK and global brands. The business of real strategic value to the business, and it brings the possibility of extending our Direct Mail and Packaging services, broadening the range of solutions we can offer.

In respect of the acquisition, revenue of €424,000 and EBITDA[1] loss of €356,000 have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €25,318,000 and an EBITDA[1] of €47,000.

1. EBITDA is defined in Note2(s) on page101

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

11 Acquisitions (continued)

Acquisition of DG3 Group Holdings

On 1 December 2021, the Group acquired the entire issued share capital of DG3 Group (Holdings) Limited.

In calculating the goodwill arising on this acquisition, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. The fair value of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	1,501
Software	17
Customer relationships	1,660
Right-of-use assets	4,964
Non-current assets	**8,142**
Inventories	392
Trade and other receivables	4,156
Cash and cash equivalents	508
Current assets	**5,056**
Total assets	**13,198**

	Fair value €000
Trade and other payables	4,401
Lease liabilities	4,987
Deferred tax Liabilities	299
Dilapidation provisions	351
Borrowings	618
Other provisions	5
Total liabilities	**10,661**
Net assets	**2,537**
Fair value of consideration	**7,746**
Goodwill (Note 12)	**5,209**

DG3 is a single-source, end to end communication solution provider, specializing in regulatory compliance, marketing and business applications. The acquisition will strengthen our capabilities in the transactional and commercial print sphere.

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

The fair value of consideration comprised of a cash payment of €7,746,000. All acquisition costs are included in other operating costs in the income statement.

The fair value of customer relationship was based on an internal valuation.

In respect of the acquisition, revenue of €14,343,000 and EBITDA[1] loss of €263,000 have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €22,599,000 and an EBITDA[1] of €1,198,000.

1. EBITDA is defined in Note2(s) on page101

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

11 Acquisitions (continued)

Acquisition of With Reason Limited

On 26 January 2022, the Group acquired the entire share capital of With Reason Limited.

In calculating the goodwill arising on this acquisition, the fair value of the assets and liabilities has been assessed and adjustments to book value have been made where necessary. The fair value of assets and liabilities acquired are summarised in the following table.

	Fair value €000
Property, plant and equipment	47
Right-of-use assets	246
Non-current assets	**293**
Trade and other receivables	1,412
Cash and cash equivalents	678
Current assets	**2,090**
Total assets	**2,383**

	Fair value €000
Trade and other payables	631
Lease liabilities	246
Dilapidation provisions	58
Income tax payable	100
Total liabilities	**1,035**
Net assets	**1,348**
Fair value of consideration	**2,694**
Goodwill (Note 12)	**1,346**

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

The fair value of consideration comprised of a cash payment of €2,694,000. All acquisition costs were included in other operating costs in the income statement.

With Reason was acquired to compliment the Group's existing business in the DCX sector. Reason design, build and scale digital products that transform business, and they have a strong track record of delivering innovative solutions for prestigious clients. This acquisition will help us to achieve our vision of creating a viable alternative to the major network agencies, by being a solution-led business that helps brands reimagine and deliver their future..

In respect of the acquisition, revenue of €3,133,000 and an EBITDA[1] of €201,000 have been achieved. This has been included in the financial statements since the date of acquisition. The estimated annual impact of this acquisition had it been made at the start of the financial year would have been revenue of €8,244,000 and EBITDA[1] of €807,000.

1. EBITDA is defined in Note2(s) on page101

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

12. Goodwill and impairment review of non-current assets

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes.

	2022 €000
Cost and carrying amount of goodwill	
At 1 July 2020	49,775
Acquisitions	12,336
Foreign currency translation	100
At 30 June 2021	62,211
Acquisitions (note 12)	11,210
Foreign currency translation	(618)
At 30 June 2022	**72,803**

The Group – provides a range of services to our clients to improve their communications with their customers (4 CGU's)

For the purpose of impairment testing, the key assumptions applied to these CGUs were:

	Post Tax discount rates	Long term growth rate
UK, Lux, Bulgaria & IE	11.5% (2021: 11.0%)	2.5% (2021: 2.5%)
Western Europe	11.5% (2021: 10.8%)	2.5% (2021: 2.5%)
DACH	12.0% (2021: 10.8%)	2.5% (2021: 2.5%)
BENE	11.5% (2021: 11.2%)	2.5% (2021: 2.5%)

Impairment testing of goodwill and non-current assets

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of a CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The Group reviews the carrying value of each CGU at least annually or more frequently if there is an indication that the CGU may be impaired.

The recoverable amount of each CGU is based on a value in use computation, which has been calculated over a five year period. The cash flow forecasts employed for this computation are extracted from budgets and specifically excludes future acquisition activity. Cash flows for a further period are based on the assumptions underlying the budgets. The weighted average long term growth rate used in the impairment testing are noted above.

A present value of the future cash flows is calculated using a post-tax discount rate representing the Group's estimated before tax weighted average cost of capital, adjusted to reflect risks associated with each CGU. The post-tax discount rates used are presented above.

Key assumptions include management's estimates on sales growth and discount rates. Cash flow forecasts and key assumptions are generally determined based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business. The prior year assumptions were prepared on the same basis.

Applying these techniques no impairment charge arose in 2022 (2021: €nil).

Sensitivity Analysis

Sensitivity analysis was performed by increasing the discount rate and reducing cash flows.

The following individual parameters would have to be exceeded before the resulting calculations gave rise to an impairment loss:

	Discount rates	Reduction in cash flows
The Group	19.0% - 30.0% (2021: 17.1% - 24.5%)	40% - 65% (2021: 39% - 62%)

Management believes that any reasonable change in any of the key assumptions for the PCC CGUs would not cause the carrying value of the goodwill to exceed its fair value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

13 Intangible Assets

	Development expenditure €000	Software €000	Customer relationships €000	Licences & other intangibles €000	Total €000
Financial year ended 30 June 2021					
Opening Net book Value	1,420	5,241	69,461	4,578	80,700
Acquisition from related party	-	89	-	-	89
Reclassification	3	(2)	(5)	-	(4)
Additions	162	5,052	-	456	5,670
Transfers from related party	-	(24)	-	-	(24)
Acquisitions	-	-	2,579	530	3,109
Disposals	(127)	46	-	-	(81)
Amortisation	(923)	(2,167)	(9,813)	(2,796)	(15,699)
Exchange movements	38	128	1,405	69	1,640
Net carrying value at 30 June 2021	**573**	**8,363**	**63,627**	**2,837**	**75,400**
At 30 June 2021					
Cost or deemed cost	623	12,443	92,657	8,125	113,848
Accumulated amortisation	(50)	(4,080)	(29,030)	(5,288)	(38,448)
Net book Amount	**573**	**8,363**	**63,627**	**2,837**	**75,400**
Financial year ended 30 June 2022					
Opening Net book Value	573	8,363	63,627	2,837	75,400
Reclassification	(24)	265	-	(241)	-
Additions	765	15,190	-	21,892	37,847
Acquisitions	-	1,280	4,902	724	6,906
Disposals	(47)	(28)	-	(20)	(95)
Amortisation	(538)	(6,257)	(9,786)	(6,080)	(22,661)
Exchange movements	4	(32)	94	(82)	(16)
Net carrying value at 30 June 2022	**733**	**18,781**	**58,837**	**19,030**	**97,381**
At 30 June 2022					
Cost or deemed cost	829	27,726	97,564	26,694	152,813
Accumulated amortisation	(96)	(8,945)	(38,727)	(7,664)	(55,432)
Net book Amount	**733**	**18,781**	**58,837**	**19,030**	**97,381**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

14 Financial investments

	Investment in associates €000	Investment in joint ventures €000	Total €000
Cost of valuation			
At 1 July 2021	35	771	806
Additions	–	–	-
Share of profits	(27)	725	698
Dividends received	–	(700)	(700)
Exchange movements	–	(1)	(1)
At 30 June 2022	**8**	**795**	**803**

At each reporting date, an assessment of fair value is undertaken by management. Following this assessment, no impairment was noted in FY22.

	Non-current assets €000	Current assets €000	Current liabilities €000	Total €000
Joint ventures	–	1,862	(1,067)	795
Associates	1	9	(2)	8
At 30 June 2022	**1**	**1,871**	**(1,069)**	**803**

	Non-current assets €000	Current assets €000	Current liabilities €000	Total €000
Joint ventures	–	2,107	(1,336)	771
Associates	1	36	(2)	35
At 30 June 2021	**1**	**2,443**	**(1,338)**	**806**

Details on the Group's joint ventures and associate can be found in Note 30.

15. Assets held for sale

	2022 €000	2021 €000
At 1 July 2021	17	-
Transfer from property, plant and equipment (note 11)	-	17
At 30 June 2022	**17**	**17**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

16 Inventories

	2022 €000	2021 €000
Raw materials and consumables	16,024	12,697
Work in progress	16,971	6,415
Finished goods and goods for resale	5,348	4,501
	38,343	**23,613**

There was no write-down of inventories in either period. Inventories included in material costs in the year amounted to €372,161,000 (2021: €296,157,000).

17 Other financial assets

	2022 €000	2021 €000
Trade and other receivables		
Amounts receivable for the sale of goods and services	39,690	43,866
Allowance for doubtful debts	(4,267)	(4,364)
Trade receivables	35,423	39,502
VAT receivables	3,001	3,499
Other receivables	9,561	11,014
Amount due from related party	7,136	7,647
Accrued income	33,004	29,854
Prepayments	22,905	18,634
	111,030	**110,150**

The Group is party to a debt factoring arrangement where advances received are without recourse. Where receivable balances have been sold, the risk and rewards have been transferred to the factorers. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2022 €000	2021 €000
Other non-current assets		
Other receivables (see below)	664	614
Prepayments	860	766
	1,524	**1,380**

Other non-current assets include the Group's French operations that have an obligation to make contributions to a French state fund on an annual basis. There are two treatments available to contributors to the fund. The first is to receive a once-off taxable income deduction in the year of payment. The other option is to be refunded by the French state, on an interest free basis, after a period of twenty years.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

17 Other financial assets (continued)

The amounts noted above include all payments to be refunded after twenty years. This receivable has been discounted and reflects the fair value of the amounts receivable. The Group made a payment to the French state fund in the current year of €50,000 (2021: €66,000).

Prepayments amounting to €816,000 relate to long term supplier prebates, and long term IT prepayments.

	2022 €000	2021 €000
Cash and cash equivalents	219,362	96,175
Cash and cash equivalents	**219,362**	**96,175**

Cash and cash equivalents comprise cash held by the Group, short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value. Included are restricted cash balances €4,964,000 (2021: €14,126,000) arising from the Group factoring facility.

18 Trade and other payables

	2022 €000	2021 €000
Trade payables	153,401	120,646
Other taxes and social security	30,120	39,943
Holiday accrual	5,933	8,369
Amounts due to related parties	10,040	5,823
Other payables	15,242	12,910
Accruals for goods and services	40,472	23,778
Deferred consideration	305	305
	255,513	**211,774**

The deferred consideration is payable as follows:

	2022 €000	2021 €000
Within one year	305	305
Beyond one year	-	-
	305	**305**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

19 Borrowings

	2022 €000	2021 €000
Bank loans	56,717	45,871
Bonds	321,000	-
Unamortised debt issue costs	(4,234)	-
Loan with related parties	7,475	136,283
Bank overdrafts	5,602	6,051
	386,560	**188,205**

The borrowings are repayable as follows:

	2022 €000	2021 €000
Within one year	23,806	147,509
Between two and five years	176,548	34,992
Beyond five years	186,206	5,704
	386,560	**188,205**

Related party loans

Related party loans are payable on demand, interest rate is charged at 1.15% (2021: 1.19%) and 2.33% (2021: 2.19%) (euro denominated – to sterling companies)

Bank Loans

The bank loans and other borrowings comprise both fixed terms and other credit facilities. €NIL (2021: €967,000) is secured on trade debtors and subject to terms and conditions as to nature, quantum and age of debtors. €2,050,000 (2021: €2,050,000) is secured on equipment

In 2020, the Group Borrowed €35m in France as part of the French State response top COVID-19. These loans are 80% guaranteed by the French State and can be repaid over 5 years

Bonds

On 30 July 2021 the Bond notes originally held by Grenadier Holdings Plc (a related party) were transferred to the Group. These Bonds replaced the related party loan. The following is when these were issued:

- On 16 December 2016, the Group raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 520 loan notes with a face value of €100,000 each. The repayment date is 15 December 2023.
- On 7 April 2018, the Group raised €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 890 loan notes with a face value of €100,000 each. The repayment date is 6 April 2025.
- On 30 July 2021, the Group raised €139 million of loan notes that were admitted to trading on the Luxembourg MTF market. There are 1,390 loan notes with a face value of €100,000 each. The repayment date is 29 July 2028.
- On 20 December 2021, the Group raised €41,000,000 of loan notes that were admitted to trading on the Luxembourg MTF market. There are 410 loan notes with a face value of €100,000 each. The repayment date is 19 December 2028.

The notes bear a fixed interest rate between 4% to 5% subject to a margin grid. The loan notes are secured on investments of the Company. The issuance costs have been capitalised and are being amortised to net finance costs over the 7 year life of these loan notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

20 Leases

The Consolidated Statement of Financial Position includes the following amounts relating to leases:

Right of use assets

	ROU land and Buildings €000	ROU plant and machinary €000	ROU other €000	Total €000
Financial year ended 30 June 2021				
Opening Net book Value	48,735	18,073	512	67,320
Acquisition from related party	1,325	166	3	1,494
Additions	3,154	13,689	-	16,843
Transfers to related party	4,099	(617)	2	3,484
Acquisitions	6,425	369	-	6,794
Disposals	288	(368)	(66)	(146)
Modification to lease terms	3,728	184	80	3,992
Amortisation	(13,012)	(7,698)	(238)	(20,948)
Exchange movements	1,177	429	4	1,610
at 30 June 2021	**55,919**	**24,227**	**297**	**80,443**
At 30 June 2021				
Cost or deemed cost	73,311	37,131	664	111,106
Accumulated amortisation	(17,392)	(12,904)	(367)	(30,663)
Net book Amount	**55,919**	**24,227**	**297**	**80,443**
Financial year ended 30 June 2022				
Opening Net book Value	55,919	24,227	297	80,443
Additions	6,358	5,036	5	11,399
Transfers	56	(66)	10	-
Acquisitions	8,710	5,144	348	14,202
Disposals	-	(115)	(6)	(121)
Modification to lease terms	(39)	(68)	-	(107)
Amortisation	(12,699)	(11,611)	(217)	(24,527)
Exchange movements	23	45	15	83
at 30 June 2022	**58,328**	**22,592**	**452**	**81,372**
At 30 June 2022				
Cost or deemed cost	80,306	37,993	1,000	119,299
Accumulated amortisation	(21,978)	(15,401)	(548)	(37,927)
Net book Amount	**58,328**	**22,592**	**452**	**81,372**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

20 Leases (continued)

Lease Liabilities

	Land and Buildings €000	Other €000	Total €000
Cost:			
at 1 July 2020	47,211	17,622	64,833
Acquisition from Paragon Group	1,246	173	1,419
Additions	3,188	13,108	16,296
Transfers to Paragon Group	4,106	115	4,221
Acquisitions	6,425	369	6,794
Disposals	(732)	(464)	(1,196)
Interest	1,654	584	2,238
Modification to lease terms	3,642	349	3,991
Repayments	(14,197)	(9,175)	(23,372)
Exchange movements	1,083	402	1,485
at 30 June 2021	**53,626**	**23,083**	**76,709**
Current	11,983	8,055	20,038
Non-current	41,643	15,028	56,671
at 30 June 2021	**53,626**	**23,083**	**76,709**
Cost:			
at 1 July 2021	53,626	23,083	76,709
Additions	6,945	4,628	11,573
Transfers	(101)	101	-
Acquisitions	8,710	5,515	14,225
Disposals	-	(114)	(114)
Interest	1,598	721	2,319
Modification to lease terms	(39)	(68)	(107)
Repayments	(15,434)	(10,121)	(25,555)
Exchange movements	8	(31)	(23)
at 30 June 2022	**55,313**	**23,714**	**79,027**
Current	13,295	10,157	23,452
Non-current	42,018	13,557	55,575
at 30 June 2022	**55,313**	**23,714**	**79,027**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

20 Leases (continued)

Amounts recognised in the Consolidated Income statement

The Consolidated Income Statements includes the following amount relating to leases:

	2022 €000	2021 €000
Amortisation charges:		
Right-of- use assets	24,527	20,948
Finance costs:		
Interest on lease liabilities	2,319	2,238
Operating expenses:		
Expenses relating to short-term leases	29	169
Expenses relating to lease of low value assets	212	219
Expenses relating to variable lease payments not included with lease liabilities	1,521	503
Operating income:		
Sublease rental income	(470)	(462)
Lease charges	**1,292**	**429**

As at 30 June 2022, the maturity of the maturity of the Group's undiscounted cash flows on IFRS 16 leases were as follows:

	Land and Buildings €000	Other €000	Total €000
Not later than one year	14,917	11,019	25,936
After one year but not more than five years	35,468	15,576	51,044
After five years	10,887	67	10,954
Total Undiscounted cashflows	**61,272**	**26,662**	**87,934**

As at 30 June 2021, the maturity of the maturity of the Group's undiscounted cash flows on IFRS 16 leases were as follows:

	Land and Buildings €000	Other €000	Total €000
Not later than one year	13,916	9,095	23,011
After one year but not more than five years	36,808	15,715	52,523
After five years	8,279	236	8,515
Total Undiscounted cashflows	**59,003**	**25,046**	**84,049**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

20 Leases (continued)

Leasing activities

The Group enters into leases for a range of assets, principally relating to property and machinery. Property leases consist of sites and office buildings and have varying terms, renewal rights and escalation clauses, including periodic rent reviews. Leases of machinery include those used for production of finished goods.

Extension and termination options

Extension and termination options are included in a number of property leases throughout the Group. They are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining whether a renewal or termination option will be taken, the following factors are normally the most relevant:

- The future intended use of the leased asset and future developments;
- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate);
- Strategic importance of the asset to the Group;
- Past practice; and
- Costs and business disruption to replace the asset

The lease term is reassessed if an option is exercised (or not exercised) and this decision has not already been reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

The Group's weighted average incremental borrowing rate for all leases has been calculated by country and ranges from 2.5% to 6.5%. As a practical expedient, a lessee may apply a with reasonably similar characteristics; leases have been grouped according to location, type and lease length.

The practical expedient has been employed such that leases where the contractual term ends within twelve months of the date of initial application have been accounted for as short- term leases.

The Group has elected to rely on its assessment on whether a lease is onerous under IAS37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application and included an adjustment to the right-of-use asset in accordance with this. The weighted average incremental borrowing rate for leases included in continuing operations are listed above.

Operating lease commitments consisted of total future minimum lease payments of €16,000 (2021: €34,000) for short term leases and €162,000 (2021: €335,000) for low value leases which were not accounted for under IFRS 16 'Leases'.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

21 Deferred Income

Amounts recognised in the Consolidated Income statement

The Consolidated Income Statements includes the following amount relating to leases:

	2022 €000	2021 €000
Advanced billings and other deferred income	5,930	4,280
Government grants	79	142
Deferred gains on property sale and leaseback	478	559
	6,487	**4,981**

	2022 €000	2021 €000
Within one year	6,010	4,360
Beyond one year	477	621
	6,487	**4,981**

Advance billings and other deferred income are current and will be recognised as revenues and collected in the next twelve months.

Government Grants

	2022 €000	2021 €000
At 1 July	142	-
Released during the year	(65)	-
Foreign exchange movements	2	-
Proceeds from government grants received	-	142
At 30 June	**79**	**142**

The above grant has no unfulfilled obligations, contingencies or is not related to COVID-19 Government measures.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

22 Provisions

	Retirement €000	Restructuring €000	Dilapidations €000	Other €000	Total €000
Balance at 30 June 2020	5,288	3,627	4,009	1,887	14,811
Actuarial movements	(428)	–	–	–	(428)
Utilised during the period	(160)	(4,409)	(125)	(346)	(5,040)
Exchange movements	–	56	161	9	226
Charge during the period	157	5,040	403	1,719	7,319
Interest charged during the year	-	–	78	–	78
Acquisitions (predecessor)	-	84	111	-	195
Acquisitions (note 11)	1,695	-	–	-	1,695
Balance as at 30 June 2021	**6,552**	**4,398**	**4,637**	**3,269**	**18,856**
Actuarial movements	479	–	–	–	479
Utilised during the period	(628)	(2,522)	(570)	(434)	(4,154)
Exchange movements	–	7	1	(4)	4
Charge (credit) during the period	295	431	(310)	362	778
Interest charged during the yearv	-	–	72	–	72
Reclassification	347	(400)	-	(532)	(585)
Acquisitions (note 11	-	-	409	804	1,213
Balance as at 30 June 2022	**7,045**	**1,914**	**4,239**	**3,465**	**16,663**
Current	633	438	88	1,028	2,187
Non-current	6,412	1,476	4,151	2,437	14,476
Balance as at 30 June 2022	**7,045**	**1,914**	**4,239**	**3,465**	**16,663**

Retirement provisions

Certain European countries in which the Group operates oblige the employer to provide lump sum termination payments. The provisions have been calculated with reference to specified individuals who are entitled to this arrangement. The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. Eventual settlement of this provision is dependent on the final retirement date for each individual concerned. Current provisions represent the anticipated settlement costs in the next twelve months

Restructuring provisions

This provision includes redundancy and related charges incurred on the closure or restructuring of Group operations. Restructuring provisions are recognised when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features. The calculation of restructuring provisions requires estimates in some circumstances to be made about the amounts and timing of resulting payments. Current provisions represent the anticipated payments to occur in the next twelve months.

Dilapidations provisions

Dilapidations are the provisions recorded for the costs of returning properties held under lease to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases. The calculation of these provisions requires judgements to be made on the level of dilapidations that have arisen and estimates on the costs of returning the properties to their state of repair at the inception of the lease. Current provisions represent the anticipated payments to occur in the next twelve months.

Other provisions

These provisions include onerous contracts and claims. Current provisions represent the anticipated settlement costs in the next 12 months.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

23 Deferred Tax

	2022 €000	2021 €000
Deferred tax assets	10,005	9,989
Deferred tax liabilities	(8,079)	(8,868)
Net Deferred tax asset / (liabilities)	**1,926**	**1,121**

	2022 €000	2021 €000
Asset / (Liabilities) at the beginning of period	1,121	(3,669)
Predecessor Accounting	-	13
Revaluation of land & buildings	(2,220)	-
Credit to the Consolidated Income Statement	1,839	5,314
Right-of-use asset addition	(141)	(158)
Credit/(charge) to the Consolidated Income Statement of Comprehensive Income	-	282
Acquisitions	1,341	(851)
Exchange rate differences	(14)	190
Assets at the end of period.	**1,926**	**1,121**

The individual movement in the deferred tax assets/(liabilities) is as follows:

	Property, plant & equipment €000	Intangible assets €000	Tax losses €000	Other temporary differences €000	Total €000
Balance at 1 July 2020	1,639	(8,495)	1,080	2,107	(3,669)
Credit/(charge) to the Consolidated Income Statement	3,668	(2,639)	4,858	(573)	5,314
Right-of-use asset addition	(158)	–	–	–	(158)
Predecessor accounting	–	–	–	13	13
Charge to the Consolidated Statement of Comprehensive Income	–	–	–	282	282
Acquisitions	–	(851)	0	–	(851)
Items taken direct to equity	–	–	–	190	190
Balance at 30 June 2021	**5,149**	**(11,985)**	**5,938**	**2,019**	**1,121**
Credit to the Consolidated Income Statement	(508)	(974)	2,532	775	1,825
Right-of-use asset addition	(141)	–	–	–	(141)
Revaluation of property	(2,220)	–	–	–	(2,220)
Acquisitions	1488	(147)	-	-	1341
Items taken direct to equity	–	–	–	-	-
Balance at 30 June 2022	**3,768**	**(13,106)**	**8,470**	**2,794**	**1,926**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The Group has tax losses arising in the UK of €48,835,000 (2021: €40,872,000) that are available indefinitely for offset against future taxable profits and €34,711,000 (2021: €34,000,000) of tax losses and other temporary differences arising in overseas territories that are available to carry forward indefinitely and tax losses of €Nil (2021: €Nil) which are due to expire within five years.

Deferred tax assets are recognized to the extent that it is probable (or "more likely than not") that sufficient taxable profits will be available to utilize the carry forward of unused tax losses. The Group have €12,000,000 (2021: €11,900,000) at the tax rate, worth of deferred tax losses not recognised. The Group have recognised deferred tax asset on losses of €8,500,000 (2021: €5,900,000).

24 Retirement Benefit

Defined contribution schemes

All defined contribution schemes are funded by the payment of contributions to independently administered funds and the assets of the scheme are held separately from those of the Group. The pension cost charges included in the income statement during the year and contribution amounts payable at the end of the year are summarised by country in the table below. Contribution amounts payable are included within other payables.

	Pension Costs Charges		**Contribution Amounts Payable**	
	2022	**2021**	**2022**	**2021**
	€000	**€000**	**€000**	**€000**
UK	4,796	4,585	1,498	501
The Netherlands	1,168	1,105	-	26
Poland	103	86	9	9
Ireland	144	69	-	13
Germany	91	41	51	63
Italy	16	-	-	-
	6,318	**5,886**	**1,558**	**612**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Defined benefit scheme – Germany

A subsidiary company operates two final salary defined benefit pension plan.

Allianz Scheme:

The most recent formal actuarial valuation for the first plan "Allianz scheme" was carried out as at 30 June 2022. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2022 Per annum	2021 Per annum
Discount rate	3.20%	1.25%
Expected rate of inflation	0.00%	0.00%
Rate of increase of pensions in payment	0.00%	0.00%

Demographic assumptions

	2022	2021
Mortality	Richttafeln 2018 G Von Klaus Heubeck	Richttafeln 2018 G Von Klaus Heubeck

	2022 Males	 Females	2021 Males	 Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	23.3 years	25.4 years

The amount recognised in the Consolidated Statement of Financial Position in respect of the Group's German defined benefit scheme assets is as follows:

	2022 €'000	2021 €'000
Present value of funded obligations	(121)	(204)
Fair value of scheme assets	157	265
Year-end assets	**36**	**61**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Amounts recognised in the Consolidated Income Statement in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Asset ceiling restriction (note 7)	-	(7)
Interest charge on obligation (note 7)	(3)	(3)
Interest income from scheme assets (note 7)	9	11
	6	**1**

Amounts recognised in other Comprehensive Income in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Actuarial gain on defined benefit obligation	44	3
Actual return on assets	(75)	(4)
	(31)	**(1)**

Expected return on assets and interest on obligations are recorded under investment income. The cumulative actuarial loss recognised in the Consolidated Statement of Comprehensive Income is €42,000 (2021: €11,000).

Changes in the present value of defined benefit obligations are as follows:

	2022 €000	2021 €000
Opening defined benefit obligation	204	247
Actuarial gain	(44)	(3)
Interest cost	3	3
Benefits paid	(42)	(43)
Closing defined benefit obligation	**121**	**204**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Changes in the fair value of scheme assets are as follows:

	2022 €000	2021 €000
Opening fair value of scheme assets	265	320
Interest income	9	11
Actual return on plan assets	(75)	(4)
Interest on effect of asset ceiling restriction	-	(7)
Benefits paid	(42)	(55)
Closing fair value of scheme assets	**157**	**265**

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	2022 €000	2021 €000
Bonds	157	265
	157	**265**

The history of the scheme for the period since acquisition is as follows:

	2022 €000	2021 €000
Fair value of scheme assets	157	265
Present value of defined benefit obligations	(121)	(204)
Net gain	**36**	**61**

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2022.

	Change in assumption	Change in obligation
Sensitivity analysis		
Discount rate	0.5%/-0.5%	0.02%/-0.02%

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Swiss Life Scheme:

The most recent formal actuarial valuation for the second final salary defined benefit pension plan "Swiss Life" was carried out as at 30 June 2022.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2022 Per annum	2021 Per annum
Discount rate	3.20%	1.25%
Expected rate of inflation	3.20%	1.25%
Rate of increase of pensions in payment	1.50%	1.50%

Demographic assumptions

	2022	2021
Mortality	Richttafeln 2018 G Von Klaus Heubeck	Richttafeln 2018 G Von Klaus Heubeck

		2022		2021
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	23.3 years	25.4 years

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

The amount recognised in the Consolidated Statement of Financial Position in respect of the Group's German defined benefit scheme assets is as follows:

	2022 €000	2021 €000
Present value of funded obligations	(2,166)	(2,879)
Fair value of scheme assets	1,768	2,358
Year-end liability	**(398)**	**(521)**

Amounts recognised in the Consolidated Income Statement in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Service cost (note 5)	(15)	(14)
Interest charge on obligation (note 7)	(35)	(42)
Interest income from scheme assets (note 7)	29	36
	(21)	**(20)**

Amounts recognised in other Comprehensive Income in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Actuarial gain/(loss) on defined benefit obligation	664	(88)
Actual return on assets	(535)	(13)
	129	**(101)**

Expected return on assets and interest on obligations are recorded under investment income. The cumulative actuarial gain recognised in the Consolidated Statement of Comprehensive Income is €483,000 (2021: €351,000).

Changes in the present value of defined benefit obligations are as follows:

	2022 €000	2021 €000
Opening defined benefit obligation	2,879	2,830
Service cost	15	14
Interest cost	35	42
Actuarial (gains)/losses	(664)	88
Benefits paid	(99)	(95)
Closing defined benefit obligation	**2,166**	**2,879**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Changes in the fair value of scheme assets are as follows:

	2022 €000	2021 €000
Opening fair value of scheme assets	2,358	2,417
Interest income	29	36
Contribution by employer	12	13
Actual return	(535)	(13)
Benefits paid	(96)	(95)
Closing fair value of scheme assets	**1,768**	**2,358**

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	Value at 30 June 2022 €'000	Value at 30 June 2021 €'000
Bonds	1,768	2,358
	1,768	**2,358**

The history of the scheme for the period since acquisition is as follows:

	2022 €000	2021 €000
Fair value of scheme assets	1,768	2,358
Present value of defined benefit obligations	(2,166)	(2,879)
Net deficit	**(398)**	**(521)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

Defined benefit scheme – Germany. A subsidiary company operates a final salary defined benefit pension plan.

Weingarten Scheme:

The most recent formal actuarial valuation for the final salary defined benefit pension plan "Weingarten" was carried out as at 30 June 2022.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2022 €000	2021 €000
Discount rate	3%	1.50%
Expected rate of inflation	0.00%	0.00%
Expected rate of salary increases	2.25%	1.50%
Rate of increase of pensions in payment	1.50%	1.50%

Demographic assumptions

	2022	2021
Mortality	Richttafeln 2018 G Von Klaus Heubeck	Richttafeln 2018 G Von Klaus Heubeck

		2022		2021
	Males	Females	Males	Females
Life expectancy for a current 65 year old	21.9 years	23.8 years	21.9 years	23.8 years
Life expectancy at age 65 for current 45 year old	23.3 years	25.4 years	23.3 years	25.4 years

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

The amount recognised in the Consolidated Statement of Financial Position in respect of the Group's German defined benefit scheme assets is as follows:

	2022 €000	2021 €000
Present value of funded obligations	(3,925)	(4,292)
Year-end liability	**(3,925)**	**(4,292)**

This is an unfunded scheme, obligations are to be funded from current operations. Pension payments are expected to begin in 9 years time. Amounts recognised in the Consolidated Income Statement in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Service cost (note 5)	(61)	(64)
Interest charge on obligation (note 7)	(50)	(60)
	(111)	**(124)**

Amounts recognised in other Comprehensive Income in respect of the defined benefit scheme are as follows:

	2022 €000	2021 €000
Actuarial gain/(loss) on defined benefit obligation	431	(86)
	431	**(86)**

Expected return on assets and interest on obligations are recorded under investment income. The cumulative actuarial gain recognised in the Consolidated Statement of Comprehensive Income is €553,000 (2021: €122,000).

Changes in the present value of defined benefit obligations are as follows:

	2022 €000	2021 €000
Opening defined benefit obligation	4,292	4,128
Service cost	61	64
Interest cost	50	60
Actuarial (gains)/losses	(431)	86
Benefits paid	(47)	(46)
Closing defined benefit obligation	**3,925**	**4,292**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

24 Retirement Benefit (continued)

The history of the scheme for the period since acquisition is as follows:

	2022 €000	2021 €000
Present value of defined benefit obligations	(3,925)	(4,292)
Net deficit	**(3,925)**	**(4,292)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board. The Group's financial risk management policies are established and reviewed regularly to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities including invoice discounting and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the Group's planning process. A maturity analysis of the carrying amount of the Group's borrowings is shown below in the reporting of financial risk section together with associated fair values.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group has significant operations within the Euro area but also operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, unrecognised firm commitments and investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each currency via foreign exchange contracts transacted with financial institutions.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to manage the currency exposure arising from the net assets of the Group's foreign operations primarily through borrowings denominated in the relevant foreign currencies.

The Group's policy is not to hedge net investments in subsidiaries or the translation of profits or losses generated in overseas subsidiaries.

Interest rate risk

All material financial assets and liabilities are maintained at floating rates of interest. Where necessary, floating to fixed interest rate swaps can be used to fix the interest rate.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk.

The Group has established a credit policy that ensures that sales are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and the Group has policies that limit the amount of credit exposure to any one financial institution.

The Group factors trade receivable balances. The risk of trade receivables passes to the factoring company once the trade receivable invoice is with the factoring company. Factoring is at EURIBOR +0.65% and LIBOR +0.65%. This decreases the Group bad debt risk.

Reporting of financial risks Fair values

The carrying value approximates fair value for all financial assets and liabilities in the Consolidated Statement of Financial Position.

Fair value hierarchy

The valuation bases are classified according to the degree of estimation required in arriving at the fair values. Level 1 valuations are derived from unadjusted quoted prices for identical assets or liabilities in active markets, level 2 valuations use observable inputs for the assets or liabilities other than quoted prices, while level 3 valuations are not based on observable market data and are subject to management estimates.

Deferred consideration

The fair value of deferred consideration is based on the present value of the expected payment, discounted using an appropriate market discount rate at the reporting date.

Trade and other receivables and payables

Due to their short maturities, trade and other payables, and trade and other receivables have been stated at their book values which approximate to their fair values..

Non derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the appropriate rate of interest at the reporting date.

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management (continued)

Liquidity risk

The following are the contractual undiscounted cash flow maturities of financial liabilities, including contractual interest payments and excluding the impact of netting agreements.

		Due within one year	Due between 2 and 5 years	Due in more than 5 years	Total undiscounted cash flows	Impact of discounting and netting	Carrying amount
		€000	€000	€000	€000	€000	€000
30 June 2022							
Non derivative financial liabilities							
Lease liabilities	Level 2	25,936	51,044	10,954	87,934	(8,907)	79,027
Borrowings	Level 2	38,405	208,193	211,206	457,804	(71,244)	386,560
Trade and other payables	Level 2	215,048	–	–	215,048	–	215,048
Deferred consideration	Level 2	305	–	–	305	–	305
		279,694	**259,237**	**222,160**	**761,091**	**(80,151)**	**680,940**

Sensitivity analysis

The significant unobservable input used in the fair value of measurement of deferred consideration payable is future incremental EBITDA[1]. A significant decrease in EBITDA[1] would result in a decrease in deferred consideration. At the Consolidated Statement of Financial Position date the Group has recorded a level of deferred consideration payable in accordance with agreed EBITDA[1] targets.

		Due within one year	Due between 2 and 5 years	Due in more than 5 years	Total undiscounted cash flows	Impact of discounting and netting	Carrying amount
		€000	€000	€000	€000	€000	€000
30 June 2021							
Non derivative financial liabilities							
Lease liabilities	Level 2	23,011	52,523	8,515	84,049	(7,340)	76,709
Borrowings	Level 2	150,354	37,245	6,332	193,931	(5,726)	188,205
Trade and other payables	Level 2	211,469	–	–	211,469	–	211,469
Deferred consideration	Level 2	305	-	–	305	–	305
		385,139	**89,768**	**14,847**	**489,754**	**(13,066)**	**476,688**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management (continued)

Market risk: Currency risk Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
Currency				
Sterling	1.18	1.13	1.17	1.17
Swedish Krona	0.10	0.10	0.09	0.10
Norwegian Kroner	0.10	0.10	0.10	0.10
Romanian Leu	0.20	0.20	0.20	0.20
Polish Zloty	0.22	0.22	0.21	0.22
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.64	0.63	0.66	0.63
US Dollar	0.89	0.84	0.96	0.83
Hongkong Dollar	0.11	0.11	0.12	0.11
Indian Rupee	0.01	0.01	0.01	0.01
Bulgarian Lev	0.51	0.51	0.51	0.51
Canadian Dollar	0.70	0.65	0.75	0.68
China RMB	0.14	0.13	0.14	0.13

Sensitivity analysis

A 10 per cent weakening of these currencies at 30 June 2022 and 30 June 2021 would have had the following effect on profit on ordinary activities before tax:

	2022 €000	2021 €000
Sterling	(1,518)	(78)
Swedish Krona	(17)	7
Polish Zloty	(138)	(62)
Czech Koruna	15	93
Romanian Leu	–	(33)
US Dollar	13	32
Bulgarian Lev	–	(7)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management (continued)

Interest rate risk

The Group carries a cash flow risk on part of borrowings held at floating rates. The Group is not subject to fair value interest rate risk as the majority of debt is held at floating rates.

An analysis of financial assets and liabilities exposed to interest rate risk is set out below:

Financial assets subject to interest rate risk

	2022 €000	2021 €000
Euro	168,821	52,240
Sterling	48,010	41,771
US Dollar	1,212	1,049
Romania Leu	47	29
Swedish Krona	672	538
Polish Zloty	591	426
Czech Koruna	5	108
Indian Rupee	3	–
Bulgarian Lev	1	14
	219,362	**96,175**

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at floating rates based upon EURIBOR, LIBOR or equivalent measures.

Financial liabilities subject to interest rate risk

	2022 €000	2021 €000
Euro bank borrowings	377,717	44,235
Czech Koruna bank borrowings	404	1,636
	378,121	**45,871**

The Group's financial liabilities comprise loan borrowings which bear interest at floating rates based upon EURIBOR and LIBOR, and overdraft borrowings which bear interest at floating rates based upon EURIBOR and EONIA.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management (continued)

Interest rate sensitivity analysis

The analysis shows the additional charge to Consolidated Income Statement assuming that the amount of the liability outstanding at the Consolidated Statement of Financial Position date was outstanding for the entire period.

	2022 €000	2021 €000
100% movement in 3 month EURIBOR and LIBOR	294	–

Foreign exchange risk

The Group investments and activities are mainly located within the Eurozone as well as the UK. Cover is arranged through a combination of internal hedging of risks by matching sales and purchases where practical and forward contracts where considered necessary.

Credit risk

The Group receives credit from funders and suppliers. Group policies are aimed at ensuring this credit is maintained at adequate levels for the purpose of funding the business operations.

Additionally, policies are aimed at minimising losses from credit risk and require that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Exposure to credit risk is also mitigated by the Group invoice factoring facility (without recourse) as it is the financial institution that bears the risks of Global PCC Plcpayment. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk. An appropriate level of credit insurance cover has been arranged in the UK to ensure that we have a cost effective means of protection against increased credit risks in the current economic environment.

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date, payment history, current relationship, latest market intelligence and the availability of credit insurance.

Expected credit loss

Overdue trade receivables were reviewed for indication of any credit loss issues to assess the likelihood of expected credit losses. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, such as, current relationship with the customer, industry in which the customer operates, geographical location of customers, historical information on payment patterns, terms of payment and the days past due.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The rates are monitored to ensure they reflect current and forward-looking information on macroeconomic factors. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. Notwithstanding this, the global financial uncertainty arising from COVID-19, has resulted in an increase in the expected credit loss rate, and the consequently the impairment loss allowance, compared to the prior year. This reflects the increased risk of credit default by the Group's customers going forward due to the impact of COVID-19.

Overdue trade receivables were reviewed for indication of any credit loss issues to assess the likelihood of expected credit losses. A doubtful receivable provision of €4,267,000 is in place in respect of trade receivables of €39,690,000. Outstanding customer balances are regularly monitored and reviewed for indicators of impairment to determine where there is a need for a provision (evidence of financial difficulty of the customer, payment default, breach of contract etc.).

Bad debts are written off as uncollectible when there is strong objective evidence that there will be no recoverable element of the debt and all methods of recovery have been exhausted.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

25 Financial risk management (continued)

Loss allowances determined as follows for trade receivables:

	2022				2021			
	Current €000	1 to 90 days past due €000	More than 90 days past due €000	Total €000	Current €000	1 to 90 days past due €000	More than 90 days past due €000	Total €000
Gross carrying amount	31,286	7,008	1,396	39,690	16,746	22,463	4,657	43,866
Loss allowance	18	2,853	1,396	4,267	18	503	3,843	4,364
ECL%	0%	41%	100%	11%	0%	2%	83%	10%

Movement in the allowance for doubtful debts

	2022 €000	2021 €000
Balance at beginning of period	4,364	5,239
Impairment provisions	1,226	1,275
Amounts written-off as uncollectible	(1,298)	(325)
Foreign exchange movements	14	179
Impairment provisions reversed	(39)	(2,004)
Balance at end of period	**4,267**	**4,364**

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations and ensuring that adequate credit/borrowing facilities are in place.

Capital expenditures and related financing of investments are approved at a Group level. These are funded through a combination of internally generated cash resources and lease financing.

Flexibility is maintained by retaining surplus cash in readily accessible bank accounts. Borrowing facilities are a combination of fixed term loan facilities with 3 to 5 years remaining and other credit facilities with no fixed expiration date. Cash balances and forecasts are controlled at both local and Group level on a daily basis.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in the Consolidated Statement of Cash Flow, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The above risks are adhered by the Group in the current and the prior financial period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

26 Issued share capital

	2022 No.	2022 €	2021 No.	2021 €
Allotted, called up and fully paid				
Ordinary shares of €1 each	**240,408,210**	**240,408**	**240,408,210**	**240,408**

Share Capital

On 18th June 2021 the company reduced its share capital by €75,000,000 using the solvency statement procedure referred to in section 641 (1) (a) of the Companies Act 2006.

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve

The revaluation reserve arose on the revaluation of all the Group property portfolio during the year ended 20 June 2022.

	2022 €000	2022 €000
Revaluation reserve	5,861	–

Capital redemption reserve

The cumulative translation reserve includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in Euro.

	2022 €000	2021 €000
Cumulative translation reserve	(1,809)	(190)

Retained earnings

This reserve records the cumulative amount of profits and losses less any dividend distributions made.

	2022 €000	2021 €000
Retained earnings	28,580	80,138

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

26 Reserves (continued)

Dividends Paid

	2022 €000	2021 €000
Dividends declared and paid in the year	50,000	–

The dividend was paid on 4th August 2021, to the parent company of PCC Global Plc.

27 Unrecognised Fair Value Merger Reserve (predecessor accounting)

Unrecognised Fair Value Merger Reserve

This reserve records the cumulative amount of the impact of predecessor accounting.

	2022 €000	2021 €000
Unrecognised Fair Value Merger Reserve	(328,182)	(328,182)

Management has used the retrospective presentation method or merger accounting. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been adjusted to reflect the statutory share capital of PCC Global Plc, with the difference relating to unrecognised fair value and presented in a merger reserve.

28 Capital and other commitments

	2022 €000	2021 €000
Capital expenditure contracted but not provided	–	–

29 Contingent liabilities

In the Directors’ opinion there are no further contingent liabilities other than those disclosed in Note 18, deferred consideration.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

30 Related party transaction

Subsidiaries, joint ventures and associates

The Consolidated Financial Statements include the financial statements of the Company and its subsidiaries, joint ventures and associates as documented in the accounting policies on page 96 and 102. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 149 to 151.

Parent company and other parent group undertakings

Transactions and year-end balances with parent undertakings and its other parent subsidiaries were:

	2022 €000	2021 €000
Sales	7,152	3,097
Purchases	321	451
Corporate fees	7,416	7,078
Interest (income) / expense	(35)	1,684
Amount due from Parent company and other parent group undertakings	7,136	7,647
Loan receivable from Parent company and other parent group undertakings	14,648	-
Amount owed to Parent company and other parent group undertakings	10,040	5,823
Loan owed to Parent company and other parent group undertakings	7,475	136,283

Corporate fees and interest expenses are with a parent taking, Grenadier Holdings Limited. Interest income is with two property companies who are owned by the Parent.

Joint ventures

Transactions and year-end balances with joint ventures were:

	2022 €000	2021 €000
Sales	4,781	4,945
Purchases	1	2
Amounts due from joint ventures	715	2,394
Amounts owed to joint ventures	-	-

Sales and purchases are with dsi Billing Services Limited.

Amounts due from joint ventures trading balances from dsi Billing Services Limited.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022 (continued)

30 Related party transaction (continued)

Key Management personnel

Key management personnel are assessed as those who have the authority and responsibility for planning, directing and controlling the activities of the Group. The roles which have been determined as key management personnel are the board. Their remuneration of the board (excluding CEO and CFO) is not contained in this note as it has been disclosed within note 5.

31 Events since Consolidated Statement of Financial Position date

The following transactions took place post year end. In all cases, no purchase price allocation exercise has yet been undertaken as the acquisition balance sheet has not yet been finalised.

On 26 September 2022, the Group acquired the trade and assets of Image Factory Limited, from a related party. The consideration amounted to €3,409,000. It has annual turnover of €9,148,000 and is a provider of point of point, display packaging, shelf ready packaging, window displays and retail point of sales displays.

32 Ultimate controlling party

The ultimate controlling party is Patrick James Crean, by virtue of his shareholding

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022 (continued)

33 List of all undertakings

Details of the investments in which the Group or the Company holds at least than 3% of the nominal value of any class of share capital are as follows:

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Paragon Supply Services SAS	France	Ordinary	100%	(1)	PCC
Paragon Customer Communications Nederland BV	Netherlands	Ordinary	100%	(11)	PCC
PCC Netherlands Holdings BV	Netherlands	Ordinary	100%		Parent Undertaking
Paragon Customer Communications International Limited	England	Ordinary	100%	(4)	PCC
Paragon MeillerGHP Holdings GmbH	Germany	Ordinary	100%		Parent Undertaking
Paragon Communicatie Services BV	Netherlands	Ordinary	100%	(11)	PCC
PCC International France SAS	France	Ordinary	100%	(16)	PCC
Paragon Business Process Services SAS	France	Ordinary	100%	(1)	PCC
Despark Bulgaria EAD	Bulgaria	Ordinary	100%	(4)	PCC
Devonshire Appointments Ltd	England	Ordinary	100%	(4)	PCC
Print Trade Suppliers Limited	England	Ordinary	100%	(4)	PCC
Global Document Systems Limited	England	Ordinary	100%	(4)	PCC
PCC Ireland Limited	Ireland	Ordinary	100%	(4)	PCC
Critical Mail Continuity Services Limited	England	Ordinary	100%	(4)	PCC
PCC GDS Limited	England	Ordinary	100%	(4)	PCC
PCC Cz AS	Czech	Ordinary	100%	(12)	PCC
PCC Pilsen s.r.o.	Czech	Ordinary	100%	(2)	Property Holding
Paragon Customer Communications Weingarten GmbH	Germany	Ordinary	100%	(12)	PCC
Paragon Customer Communications Tkorschenbrdich GmbH	Germany	Ordinary	100%	(12)	PCC
Gresset Rault Solutions SAS	France	Ordinary	100%	(11)	PCC
Paragon Customer Communications Schwandorf GmbH	Germany	Ordinary	100%	(12)	PCC
DSICMM (Finsbury Circus) Limited	England	Ordinary	100%	(4)	Dormant
D'Haussy Solutions International SAS	France	Ordinary	100%	(1)	Dormant
D'Haussy GmbH	Germany	Ordinary	100%	(15)	Dormant
Innovative Output Solutions (Manchester) Limited	England	Ordinary	100%	(7)	Dormant

continued...

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022 (continued)

33 List of all undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Hamsard 3302 Limited	England	Ordinary	100%	(4)	PCC
DG3 Group (Holdings) Limited.	England	Ordinary	100%	(4)	PCC
DG3 Connections Limited	England	Ordinary	100%	(4)	Dormant
DG3 Europe Limited	England	Ordinary	100%	(4)	Dormant
DG3 Digital Limited	England	Ordinary	100%	(4)	Dormant
DG3 Squared Limited	England	Ordinary	100%	(4)	Dormant
WL CCM Limited	England	Ordinary	100%	(4)	PCC
With Reason Limited	England	Ordinary	100%	(4)	PCC
Paragon Customer Communications France SAS	France	Ordinary	100%	(11)	Holding Company
DSICMM (Finsbury Circus) Limited	England	Ordinary	100%	(4)	Dormant
DSICMM (Redruth) Limited	England	Ordinary	100%	(4)	Dormant
Dsicmm Group Limited	England	Ordinary	100%	(4)	Parent undertaking
Paragon Customer Communications SP z.o.o	Poland	Ordinary	100%		PCC
MeillerGHP AB	Sweden	Ordinary	100%		PCC
Paragon Customer Communications Spain S.L.	Spain	Ordinary	100%	(11)	PCC
PCC Poland SP z.o.o	Poland	Ordinary	100%	(11)	PCC
PCC International Germany GmbH	Germany	Ordinary	100%	(11)	PCC
Paragon Customer Communications Belgium NV	Belgium	Ordinary	100%	(11)	PCC
Paragon Customer Communications Italy s.r.l.	Italy	Ordinary	100%	(11)	PCC
Paragon Transaction SA	France	Ordinary	100%	(11)	PCC
Paragon Editique SAS	France	Ordinary	100%	(1)	PCC
Paragon Transaction (U.K) Limited	England	Ordinary	100%	(1)	Parent undertaking
Paragon Romania SRL	Romania	Ordinary	100%	(1)	PCC
Paragon Customer Communications Limited	England	Ordinary	100%		Parent undertaking
Devonshire Luxembourg S.à.r.l.	Luxembourg	Ordinary	100%	(17)	PCC
Lateral Holdings Limited	England	Ordinary	100%	(4)	Parent undertaking
Lateral Group Limited	England	Ordinary	100%	(5)	Parent undertaking
Paragon Customer Communications (Nottingham) Limited	England	Ordinary	100%	(6)	PCC
Paragon Customer Communications (Bristol) Limited	England	Ordinary	100%	(4)	PCC
Paragon Workplace Solutions Hong Kong Limited	Hong Kong	Ordinary	100%	(4)	PCC

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022 (continued)

33 List of all undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Footnote	Nature of business
Paragon Customer Communications (London) Limited	England	Ordinary	100%	(4)	PCC
DSI Billing Services Limited	England	Ordinary	50%	(8)	PCC
Paragon Customer Communications (Luxembourg) SA	Luxembourg	Ordinary	100%	(8)	PCC
Celerity Information Services (Inc).	USA	Ordinary	100%	(8)	PCC
Paperhat India Pvt Limited	India	Ordinary	99%	(8)	PCC
Paragon Direct Marketing SAS	France	Ordinary	100%	(1)	PCC
Joint ventures					
DSI Billing Services Limited	England	Ordinary	50%	(8)	PCC
Associates					
Response Handling Centre Limited	England	Ordinary	34%	(8)	PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(8)	PCC
Output a.g.	Germany	Ordinary	6%	(14)	PCC

The financial statements of the above entities can be obtained from the Company's registered office.

Lower Ground Floor, Park House
16/18 Finsbury Circus
London
EC2M 7EB

(1) Held via Paragon Transaction SA
(2) Held via PCC Cz AS
(3) Held via Despark UK Limited
(4) Held via Paragon Customer Communications Limited
(5) Held via Lateral Holdings (UK) Limited
(6) Held via Lateral Group Limited
(7) Held via dsicmm Group Limited
(8) Held via Paragon Customer Communications (London) Limited
(9) Held via Paragon Editique SAS
(10) Held via Innovative Output Solutions (Manchester) Limited
(11) Held via PCC Netherlands Holdings BV
(12) Held via Paragon MeillerGHP Holdings GmbH
(13) Held via Paragon Customer Communications International Limited
(14) Held via Paragon Customer Communications GmbH
(15) Held via D'Haussy Solutions International SAS
(16) Held via Paragon Supply Services SAS
(17) Held via Devonshire Appointments Limited

Parent Company Financial Statements

for the period
1 July 2021
to 30 June 2022

Parent Company Statement of Financial Position

for the year ended 30 June 2022

	Notes	2022 €000	2021 €000
Assets			
Non-current assets			
Intangible assets		2,165	–
Deferred tax asset		1,998	–
Share in Group undertakings		394,441	394,441
		398,604	**394,441**
Current assets			
Trade and other receivables	4	143,613	62,685
Cash and cash equivalents	4	51,071	1,060
		194,684	63,745
Total assets		**593,288**	**458,186**
Liabilities			
Current liabilities			
Trade and other payables	5	12,743	3,947
		12,743	3,947
Non-current liabilities			
Borrowings - 3rd party		321,000	–
Long term trade payables	6	6,774	138,229
		327,774	138,229
Total liabilities		**340,517**	**142,176**
Net Assets		252,771	316,010
Equity			
Share capital	7	240,407	240,407
Capital reserve		142	142
Cumulative translation reserve		(3)	(3)
Retained earnings		12,225	75,464
Total Equity		**252,771**	**316,010**

As permitted by Section 408 of the Companies Act 2006, no Income Statement account of the Company is included in these financial statements. The profit for the financial period for the Company was €13,239,000 (2021: loss of €442).

These financial statements were approved by the Board of Directors on 16 December 2022 and signed on its behalf by

Seán Shine ***Laurent T. Salmon***

Parent Statement of Changes in Equity

for the year ended 30 June 2022

For the period 30 June 2021

	Share capital €000	Capital reserve €000	Retained earnings €000	Cumulative translation reserve €000	Total equity €000
Balance as at 1 July 2020	315,407	142	22	(3)	315,568
Profit for the year	–	–	442	–	442
Reduction in share capital	(75,000)	–	75,000	–	–
Balance at 30 June 2021	**240,407**	**142**	**75,464**	**(3)**	**316,010**

For the period 30 June 2022

	Share capital €000	Capital reserve €000	Retained earnings €000	Cumulative translation reserve €000	Total equity €000
Balance as at 1 July 2021	240,407	142	75,464	(3)	316,010
Loss for the year	–	–	(13,239)	–	(11,280)
Dividend paid during year			(50,000)		(50,000)
Balance at 30 June 2022	**240,407**	**142**	**12,225**	**(3)**	**252,771**

Notes to the Parent Company Financial Statements

for the year ended 30 June 2022

1. Accounting policies

Basis of preparation

The Company is a private company limited by shares and is incorporated and domiciled in the UK.

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements for this financial year are presented in Euro and all values are rounded to the nearest thousand (€000) except where otherwise indicated. The comparative financial information is also presented to the nearest thousand (€000) except where otherwise indicated. These financial statements present the performance and position of the individual entity. The results of the Company are included in the consolidated financial statements of PCC Global Plc, which are available from its registered office, Lower Ground Floor, Park House, 16/18 Finsbury Circus, London, EC2M 7EB. The principal accounting policies adopted by the Company have been consistently applied and are set out below.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group;
- the requirements of paragraphs 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Going concern

The Directors have performed an assessment of going concern, including receiving written support provided from its ultimate parent company ("the Paragon Group"). The Paragon Group have performed an assessment of going concern by reviewing the Group's cash position, available banking facilities and financial forecasts for 2022 and 2023, including the ability to adhere to banking covenants. In doing so, the Directors have considered the uncertain nature of the current COVID-19 pandemic, current trading trends and extensive actions already undertaken to protect profitability and conserve cash.

The Group's assessment considered four scenarios, being management's base case and another three scenarios using a set of severe but plausible downside assumptions to that base case. Overall the Group traded ahead of the base case for the first five months of the 2022 financial year and has remained profitable and cash generative which further underlines the resilience and adaptability of the business during this difficult time.

Based on the above, the Directors have, at the date of signing of the accounts, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

Investments

Investments are stated at cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).

An investment is derecognised upon disposal or when no future economic benefits are expected to arise. Any gain or loss arising on the derecognition of the investment is included in the income statement in the period of derecognition.

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more others ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements joint ventures are accounted for using the gross equity method.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimate.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value and subsequently stated at amortised cost.

Trade receivables

Trade receivables do not carry any interest and are initially measured at the transaction price and subsequently held at amortised cost. For trade receivables, the transaction price is deemed to be equal to fair value. Trade receivables, loans, and other receivables

Notes to the Parent Company Financial Statements

for the year ended 30 June 2022 (continued)

that have fixed or determinable payments that are not quoted in an active market are held at amortised cost.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 24 for further details.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value. They are recognised at fair value and then held at amortised cost.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Tax

The tax expense in the Income Statement comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated on an undiscounted basis.

Foreign currencies

Transactions in foreign currencies other than Euro are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated into Euro at the exchange rate ruling at that date.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end.

The Company financial statements are prepared in Euro as the majority of the Company's transactions are denominated in Euro.

Revenue recognition

Revenue is comprised of management fee income resulting from the recharge of expenses to entities across the PCC division.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Intercompany balances

The directors have reviewed the recoverability of the remaining intercompany balances and no further impairment is required.

Forecasts and discount rates

The carrying values of investments on the Statement of Financial Position are dependent on estimates of future cash flows arising from Group operations which, in some circumstances, are discounted to arrive at a net present value.

Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Profit from operations

As permitted by Section 408 of the Companies Act 2006, no income statement account of the Company is included in these financial statements. The loss for the financial period for the Company was €13,239,000 (2021: profit of €442).

3. Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were €6,000 (2021: €6,000). These fees were borne by another Group entity.

Notes to the Parent Company Financial Statements

for the year ended 30 June 2022 (continued)

4. Other financial assets

Trade and other receivables	2022 €000	2021 €000
Amounts owed by group undertakings	138,946	58,972
Other Taxes	824	491
Prepayments and accrued income	3,843	3,223
	143,613	**62,686**

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The amounts due from group undertakings are unsecured and are subject to the group's standard terms of trade of 30 days.

Cash and cash equivalents	2022 €000	2021 €000
Cash and cash equivalents	**51,071**	**1,060**

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

5. Creditors: amounts falling due within one year

	2022 €000	2021 €000
Trade creditors	2,151	910
Amounts owed to group undertakings	544	961
Accruals	10,048	2,076
	12,743	**3,947**

The directors consider that the carrying amount of trade and other payables approximates their fair value.

6. Creditors: amounts falling due after more than one year

	2022 €000	2021 €000
Unamortised debt issue costs	(3,419)	-
Amounts owed to Group undertaking	10,193	138,229
	6,774	**138,229**

The directors consider that the carrying amount of trade and other payables approximates their fair value.

7. Issued share capital

	No.	2022 €000	No.	2021 €000
Allotted, called up and fully paid				
Ordinary shares of €1 each	**240,408,210**	**240,408**	**315,408,210**	**315,408**

On 18th June 2021 the company reduced its share capital by €75,000,000 using the solvency statement procedure referred to in section 641 (1) (a) of the Companies Act 2006.

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