

# ANNUAL REPORT

2023

PCC Global Plc

PARAGON 

Company number: 03526640



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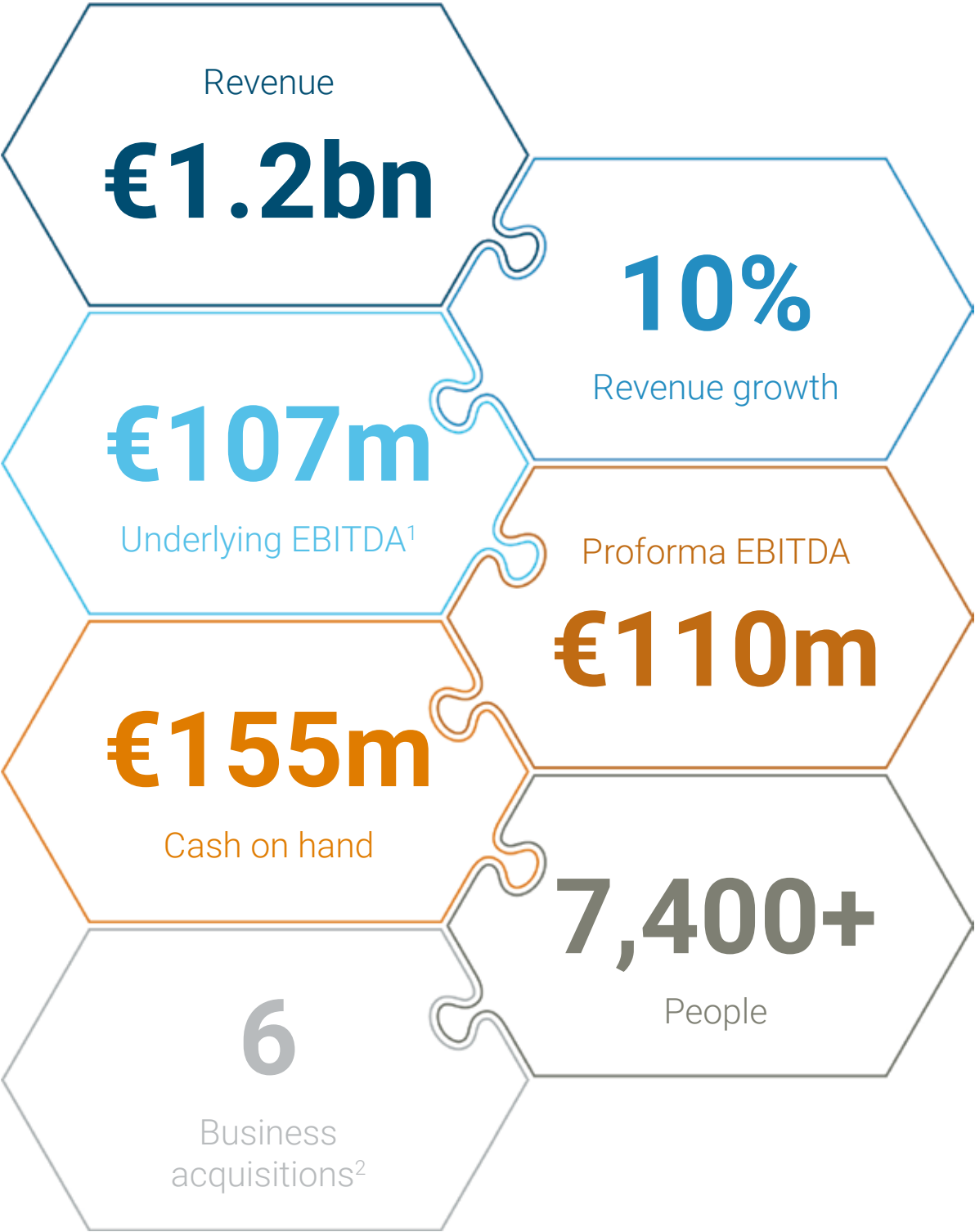


# 01

## 2023 FINANCIAL HIGHLIGHTS



# 2023 FINANCIAL HIGHLIGHTS

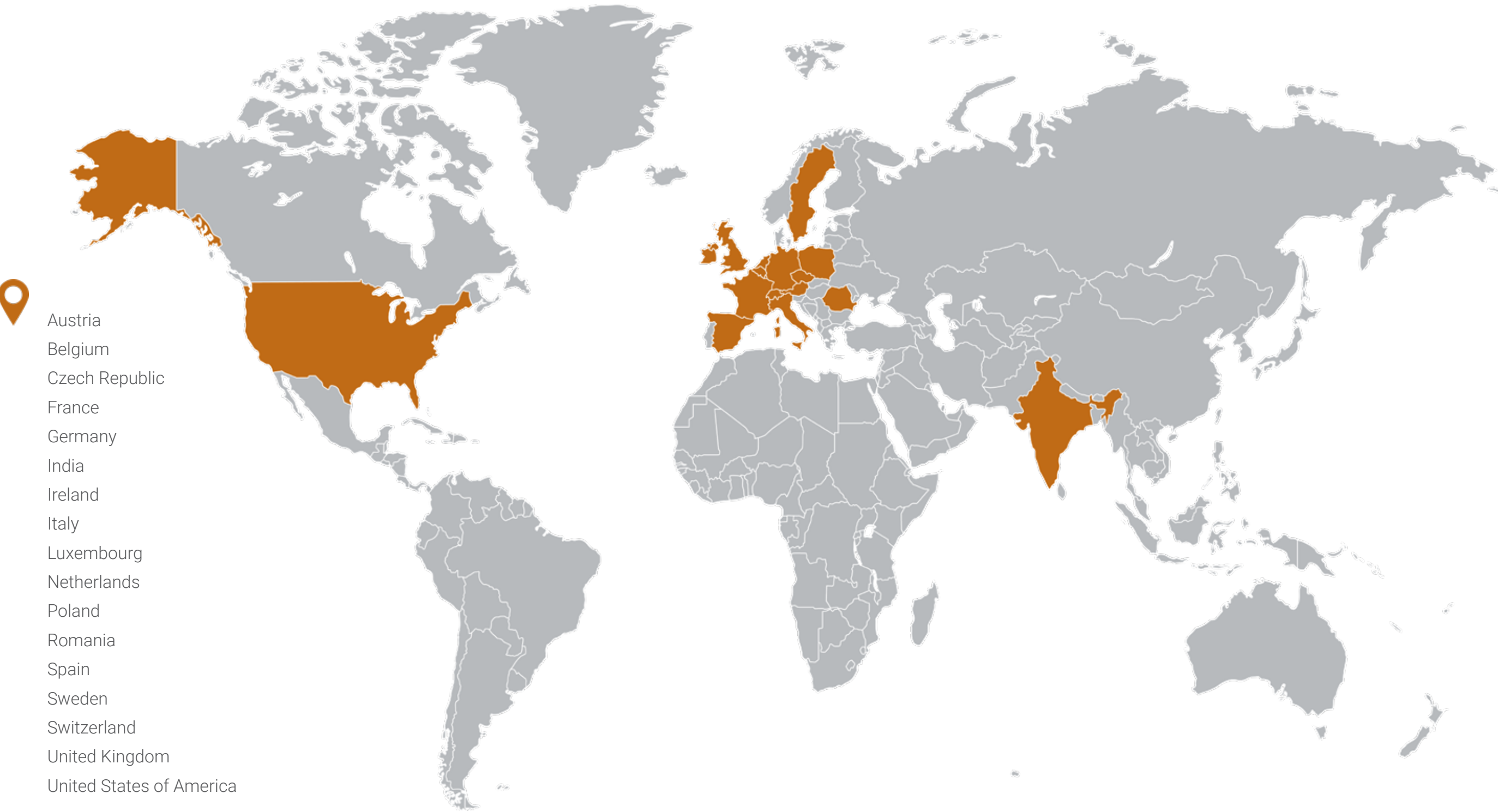


1. Underlying EBITDA is defined in note 2(s) on page 158.  
2. One extra business acquired post year end.



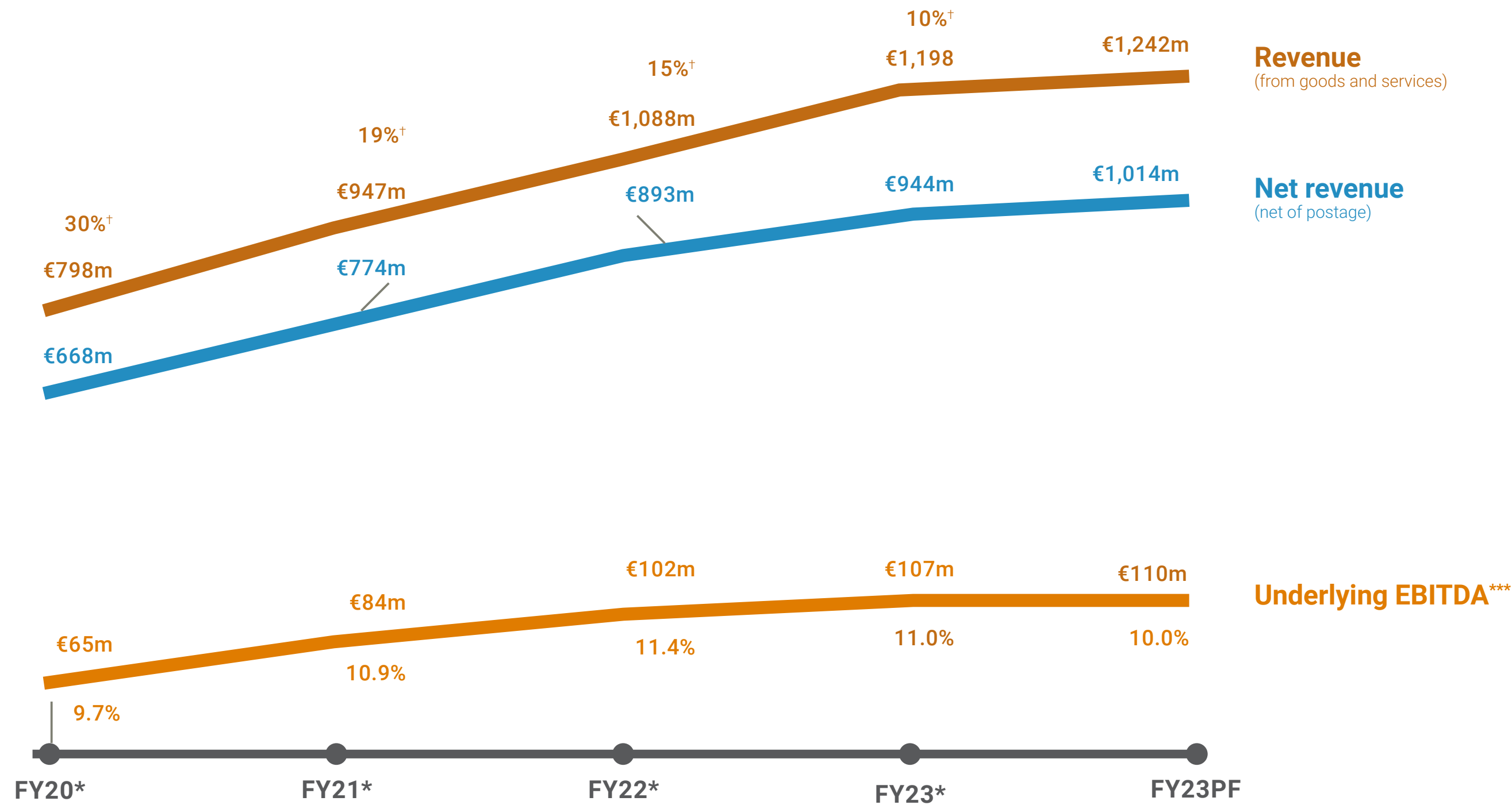


# OUR LOCATIONS





PCC GLOBAL PLC (PARAGON)  
CONTINUES TO DELIVER STRONG  
GROWTH IN LINE WITH OUR  
STRATEGIC OBJECTIVES...



\* Actual figures reported  
\*\* PF (unaudited) includes the full year impact  
\*\*\* Underlying EBITDA is defined in note 8 on page 158. % Underlying EBITDA is expressed as a % of net revenue  
† Annual Growth Rate



# CHAIR'S STATEMENT

As Executive Chairman of PCC Global plc (Paragon), I am delighted to introduce the 2023 Annual Report for Paragon. During the year, we simplified and clarified the company structure. Grenadier Holdings (previously known as Paragon Group Holdings) now operates as an investment company for Paragon and several other companies, providing support on strategic activities and acquisitions, but without direct involvement in the day-to-day business operations.

Paragon has had another good year and this is testament to the dedication, commitment and drive of its leadership and their respective teams. We have been able to take advantage of organic and acquisition opportunities this year, which will set the company in good stead for future continued growth and potential expansion into new geographical territories.

Aligning the business structure, values and vision of Paragon has ensured a collaborative approach across all regions and a clear vision for its strategic direction. Jeremy Walters, CEO of Paragon, and his Senior Leadership Team are in a good position to drive prosperity for the company's customers, partners and people.

We look forward to another successful year in 2024 for Paragon and the continuing evolution of the business as they explore new growth opportunities and strategic partnerships across the globe.

**Patrick Crean**

Executive Chair | PCC Global plc (Paragon)





# 02

## STATEMENT FROM OUR CEO



We're ready for  
global growth.

## CEO STATEMENT

I was extremely proud to take over the role of CEO for the thriving Paragon business in January 2023, continuing the brilliant work of my predecessor, Mike Gordon. Thank you to him and the wider team for steering Paragon up to this point.

As we close the financial year, I am delighted to report that we are in a very strong financial position.

During my first six months in the role, we have delivered our new business structure across all regions, which provides a clear brand message to our customers, and re-branded. The main part of our new structure is having the right leadership across our business, which has been enhanced with the appointment of Jim Hartshorne as CEO of Paragon UK, Ireland and Luxembourg. Jim has joined us because of his energy and customer focus and to ensure the region he is responsible for continues its growth path.

We have changed the name of our business to Paragon, and introduced our new strapline, which provides clarity on what we do: 'Business Services Transformed'. We made this change to better reflect the broad range of solutions and services that we deliver through our seven business lines, across all our regions. The coordination and collaboration between our regions to communicate the rebrand, both internally and externally, was fantastic to see.

I would also like to take this opportunity to thank my regional CEOs and all their colleagues internationally who have welcomed me to my new position. They and their teams lead the implementation of our growth strategy with dedication and skill in each of their businesses.

We have made a strong start on acquisitions and organic growth in the last six months. From an acquisitions perspective, we're delighted to welcome the MINC and CFBS teams to Paragon. We have secured 14 new clients organically, which is testament to what can be achieved when we work together as one Paragon, and our new strapline of Business Services Transformed gives our stakeholders a clear view of our ambition.

We remain alert to new opportunities, and I am pleased that we have been able to show our diverse capabilities more clearly to our customers and investors. The hard work, commitment and expertise of our people at every level of our organisation has enabled growth throughout our business. As a result, we are moving into new growth markets with a well-earned reputation for transformation and exceptional service.

Thank you.

**Jeremy Walters**

Chief Executive Officer | Paragon

## STRATEGY

The business continued to evolve this year as we drove the implementation of our strategy through acquisition and continued investment in technology..

As CEO of the Paragon business, my purpose is to execute our growth strategy, with the aim of doubling our business every three years. We will do this through targeted acquisitions, taking us into new geographies and markets, coupled with a relentless focus on organic growth. Our strategy for achieving that growth is based on extending our relationships with clients across our business lines, and focusing our collective expertise on innovation, efficiency, and collaboration across our regions.

Another main part of this new strategy was the creation of seven distinct business lines, which will enable us to meet customer expectations and remain agile and flexible to market demands, all while creating a fully inclusive environment for our people.

We've summarised the value that our business lines bring to our customers overleaf:



# BUSINESS LINES OVERVIEW

Business Critical Services

<div>PARAGON Consulting and Agency</div> <div>Consulting and Agency</div> <ul style="list-style-type: none"><li>Creative Services</li><li>Strategy &amp; Consulting</li><li>Digital Products &amp; Platforms</li><li>Data &amp; Analytics</li><li>Marketing Activation</li><li>Professional Services</li></ul>	<div>PARAGON Customer Communications</div> <div>Customer Communications</div> <ul style="list-style-type: none"><li>Transactional</li><li>Regulatory</li><li>Marketing</li><li>Hybrid Mail</li><li>Postal</li><li>Archiving</li><li>One Platform</li></ul>	<div>PARAGON Lead Supply</div> <div>Lead Supply</div> <ul style="list-style-type: none"><li>Print Management</li><li>Point of Sale</li><li>PEP Platform</li></ul>	<div>PARAGON Fulfilment Solutions</div> <div>Fulfilment Solutions</div> <ul style="list-style-type: none"><li>Warehousing</li><li>Fulfilment</li><li>Logistics</li><li>Co-Packing</li></ul>	<div>PARAGON Business Process Outsourcing</div> <div>Business Process Outsourcing</div> <ul style="list-style-type: none"><li>Inbound</li><li>Correspondence Handling</li><li>Claims Processing</li><li>Invoice Processing</li><li>Call Handling</li><li>Voting Solutions</li></ul>	<div>PARAGON Workplace Solutions</div> <div>Workplace Solutions</div> <ul style="list-style-type: none"><li>Creative Services</li><li>Presentation Services</li><li>Document Production</li><li>Translations</li><li>Mailroom</li><li>Reprographics</li><li>Recruitment</li></ul>	<div>PARAGON Print Solutions</div> <div>Print Solutions</div> <ul style="list-style-type: none"><li>Stationery</li><li>Security</li><li>Forms</li><li>Labels</li><li>Envelopes</li></ul>
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The first six months of my leadership of the Paragon business has been focused primarily on teamwork and understanding the global business. During this phase, my leadership team have helped me to drive our culture of collaboration, ensuring the delivery of our business goals. At the turn of the year, I was delighted to recruit Martin Edstrom from Royal Mail as our Chief Financial Officer. Martin brought a wealth of experience across financial management, corporate finance, strategy and M&A. He has helped significantly in defining our strategy and will play a main role in delivering Paragon’s future growth and success.

Further to our successful rebrand to Paragon, we also reviewed our company values to make sure they reflected our business as it is today and where it is heading in the long term. We created five values that will underpin everything we do (see page 21).





# COMPANY VALUES

## Together

- Committed to collaboration
- Positively responding to our stakeholders’ needs

## Inspiring

- Motivated by high performance
- Finding innovative ways to deliver

## Empowering

- Enabling our people to deliver
- Challenging what we already do

## Committed

- Delivering on our promises
- Holding ourselves and others accountable

## Responsible

- Driven to improve sustainability
- Determined to remove barriers to inclusivity



## FINANCIAL PERFORMANCE

**It's been another successful and strong year financially for Paragon.**

We have achieved €1.2bn in revenue, which has been driven by our continued customer organic growth (9.1%) and €106.7m UEBITDA. Acquisition growth has seen the addition and integration of six further businesses.

Our approach to localised management of our regional businesses has ensured that we have achieved strong performance across all regions. We have invested significantly in restructuring the UK business to support our future growth and to position the region to deliver in 2024 and beyond. We close the year with a healthy balance sheet of 2.4 times net debt to EBITDA and have secured €155m in cash. This will ensure that we are ready for growth by providing the platform to achieve our ambitions for further global expansion.

## INVESTING IN PEOPLE

**At Paragon, our people are the core differentiating factor in our industry and we are proud of how they deliver for our business. We are also very grateful for the huge commitment they continue to show us.**

As a business, we want to continue ensuring that we recruit, develop and motivate the best people possible. I am pleased to report that we are running specific programmes to ensure we are seen as the employer of choice. These include a reverse mentoring programme, Women's Network and a European Leadership programme.

We welcome regular feedback from our people, and, as a result, we have conducted employee engagement surveys in each of our four business regions. Our people section of the report will give more detail about these areas.

Regarding our people, I have a simple view. It is not how I see our business that attracts and retains the best people, it is how our people and potential employees see our business.



## SUSTAINABILITY

**Every decision we make includes an assessment of the impact it will have on our people, planet and our partners. In combination with the ambitious sustainability targets we have set and the rigorous governance of our sustainability polices, we are preparing ourselves for the future.** Our sustainability approach is now embedded in every aspect of our business. For example, our ESG team work in partnership with our Finance, GRC and Technology teams to find out how we manage significant climate-related risks, the physical impact of climate change itself, coupled with the transitional risks that include market requirements, technological and reputational risks, and the effects of current and emerging regulations.

We are operating in a rapidly evolving Environmental, Social and Governance (ESG) landscape. Paragon has a strong drive to be ambitious, move faster with our sustainability programmes, and have a net positive impact on the world, while ensuring we are transparent and accountable to our people and partners. This year, we have worked to ensure that accountability for our sustainability performance is a shared responsibility, with buy-in from main stakeholders throughout our business's leadership, enabling us to meet the challenges we are facing and drive best practice.

This year has also seen a number of main sustainability successes for our business. For the first time, we submitted to the Carbon Disclosure Project, an international non-profit organisation that helps companies disclose their environmental impact. We received a B- grade, which is a good result and a great achievement for our first submission. It highlights that Paragon is showing evidence of managing our environmental impact, but that we still have some work to do to become a leader in our field.

Elsewhere this year, we have aligned Paragon's sustainability programmes with the Science Based Targets Initiative (SBTIs) and our German location also joined the UN Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles. Most crucially, all our regions have set, or are in the process of setting, their carbon net zero targets. This includes both short and long-term targets to reach a minimum of a 90% reduction in Scope 1, 2 and relevant Scope 3 emissions by 2045 at the latest. This will ensure accountability and transparency across the Paragon Global business.



# INVESTING IN OUR INFRASTRUCTURE AND LOOKING FORWARD TO FY24 AND BEYOND

The investment opportunities we have planned in 2024 and beyond open up some exciting possibilities for Paragon and our stakeholders.

Before we look at what lies ahead, let's take a moment to reflect on our journey so far. Our business has demonstrated resilience, adaptability, and growth, resulting in increased revenue and customer satisfaction. Our achievements have been made possible by the hard work and dedication of our teams, as well as the support of our valued investors.

Now, as we look forward to 2024, we see a landscape full of opportunities for our business to thrive. The market trends and technological advancements that are shaping the world today are providing us with numerous avenues for growth.

One area that presents immense potential is the ever-expanding digital market. With the rapid adoption of technologies like artificial intelligence, cloud computing and blockchain, the way we do business is evolving at an unprecedented pace. By capitalising on these advancements, we can enhance our operations, improve efficiency, and deliver even better products and services to our customers.

Additionally, we must recognise the significance of sustainability and environmental consciousness in the coming years. As consumers become more environmentally aware, businesses that prioritise sustainability will undoubtedly gain a competitive advantage. By investing in sustainable best practice, renewable energy sources, and reducing our carbon footprint, we can position our business as a leader in the industry while contributing to a more prosperous future.

In 2024, expansion into new markets and global partnerships is high on our agenda. The world is becoming more interconnected, and by leveraging international networks we can tap into new customer bases, access diverse talent pools, and foster innovation through collaboration. This expansion will not only strengthen our position in the market but also open doors to new opportunities and revenue streams.

Of course, to pursue these ambitious goals will require investment. We must prioritise research and development, recruit top talent, fortify our infrastructure and make strategic acquisitions or partnerships to complement our capabilities. By doing so, we will be well positioned to meet the challenges and capitalise on the opportunities that lie ahead.

In conclusion, as we set our sights on 2024 and beyond, we recognise the immense potential of our business.

I look forward to embarking on our exciting travels towards a prosperous future together.

**Jeremy Walters**

Chief Executive Officer | Paragon





**MARTIN EDSTROM**  
Chief Financial Officer | Paragon

# 03

## PARAGON FINANCIAL OVERVIEW



# PCC GLOBAL PLC GROUP

## FINANCIAL OVERVIEW

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

Income statement highlights	FY 2023 (€m)	FY 2022 (€m)
<b>Revenue from sale of goods and services</b>	<b>1,198.2</b>	<b>1,088.1</b>
Operating costs	1,091.5	986.2
<b>Underlying EBITDA<sup>1</sup></b>	<b>106.7</b>	<b>101.9</b>
Depreciation and amortisation	64.1	63.6
Corporate charges	8.2	7.4
EBIT/Operating profit	34.4	30.9
Finance cost net of income	27.3	19.0
Profit before tax non-underlying items	7.1	11.9
Income tax credit/(charge)	3.0	(1.8)
<b>Profit for the year before non-underlying items</b>	<b>10.1</b>	<b>10.1</b>
Non-underlying items charges	(52.3)	(13.6)
Loss for the year	(42.2)	(3.5)
<b>Cash and Net borrowing highlights</b>		
Operating inflows	46.1	75.5
Free cashflow	47.0	89.3
Cash and cash equivalents	154.8	219.4
Net borrowings	(285.3)	(231.6)

The key performance indicators in the above table include Alternative Performance Measures (APM), such as underlying figures, and Generally Accepted Accounting Principles (GAAP) measures, as explained at the end of this statement.

Revenue from sale of goods and services increased by €110.1m (FY22 – €141.6m), a 10.1% (FY22 – 15%) increase from €1,088.1m in the financial year ended 30 June 2022 (FY 22) to €1,198.2m in the financial year ended 30 June 2023 (FY 23). This was based on €10.8m (FY22 - €30.8m) of in-year acquisitions and €99.3m (FY22 - €110.8m) of organic growth. Costs before depreciation and amortisation increased by €105.4m (FY22 – €123.8m), an increase of 10.7% (FY22 - 14.4%), from €986.2m in FY22 to €1,091.5m in FY23, as follows:

Costs before depreciation and amortisation highlights	FY ended 2023 (€M)	% of revenue in FY 2023	FY ended 2022 (€M)	% of revenue in FY 2022
Revenue from sale of goods and services	1,198.2	100%	1,088.1	100%
Material costs	612.1	51.1%	529.8	48.7%
Payroll costs	354.6	29.6%	344.9	31.7%
Other operating costs	124.8	10.4%	111.5	10.2%
Costs before depreciation and corporate charges	1,091.5	91.1%	986.2	90.6%

Costs before depreciation and amortisation, corporate charges, and non-underlying items in FY23 expressed as a percentage of revenue, as displayed in the above table, were 91.1% compared 90.6% in FY22. The increase resulted in a 2% decrease in gross profit margin - 49% in FY23 and 51% in FY22, which is in line with the expected gross profit margins of the group.

For payroll costs, our average monthly number of people employed was 7,474 in FY23, including 6,146 production people and 1,328 indirect colleagues, compared to 7,442 people in FY22, including 6,269 production and 1,173 indirect employees.

The group's underlying EBITDA<sup>1</sup> excluding corporate charges increased by €4.8m to €106.7m from €101.9m in FY22. The positive movement in underlying EBITDA is mainly driven by an increase in revenue, partially offset by a 2% decrease in gross profit margin.

As a result of the above revenue and cost developments, the EBIT/ Operating profit before non-underlying items increased by €3.5m (FY22: €4.2m), from an underlying operating profit of €30.9m in FY22 to €34.4m in FY23.

Net finance costs increased by €8.3m (FY22: €14.3m), from €19m in FY22 to €27.3m in FY23. The increase in net finance costs was the €2.2m bond interest increase from €11.6m in FY22 to €13.8m in FY23, mainly due to an increase in the amounts of bonds outstanding, €180m bond issued mid-year in December 2021 and therefore interest was charged for six months in FY22 compared to twelve months of interest in FY23.

Discounting charges increased due to increase in revenue and in invoice factoring, slightly offset by a decrease in bank loans and overdraft interest.

After finance costs and income taxation, the underlying profit for the year before non-underlying items was €10.1m (FY22: €10.1m).





## Region reporting summary

	FY 2023 (€m)	FY 2022 (€m)	Change from PY%
<b>Revenue</b>			
UKIL	627.8	571.6	9.8%
Western Europe	254.0	219.7	15.6%
DACH/CEE	245.0	231.6	5.8%
BENE	60.8	57.6	5.6%
Related party	10.1	7.1	42.3%
Rental income	0.4	0.5	(20.0)%
<b>Total group</b>	<b>1,198.1</b>	<b>1,088.1</b>	<b>10.1%</b>
<b>Underlying EBITDA</b>			
UKIL	74.9	67.0	11.6%
Western Europe	22.8	22.3	2.2%
DACH/CEE	6.8	11.8	(42.4)%
BENE	6.7	5.8	15.5%
Corporate and other	(4.5)	(5.0)	10.0%
<b>Total group</b>	<b>106.7</b>	<b>101.9</b>	<b>4.7%</b>

Revenue across all regions increased YoY in FY23, with Western Europe achieving 15.6% revenue growth mainly due to strong pricing growth, new customers and the acquisition of Bretagne Routage.

Underlying EBITDA increased in all regions, except for DACH/CEE. The decrease in the DACH/CEE region was due to lower gross profit margin, salary increases and an increase in IT 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 loss on disposal of investments, significant impairment of assets and acquisition related profits or losses and subsidiary acquisition costs. Non-underlying items are defined and disclosed in note 8 on page 164 of the financial statements.

Non-underlying (credits)/charges that arose are as follows	FY23 (€m)	FY22 (€m)
Redundancy and related charges	29.4	13.0
Costs of industrial relocation, restructuring and consolidation other	15.2	2.6
Acquisition costs	2.1	-
Other	3.4	0.2
Gain on acquisition	(3.0)	(2.4)
<b>Non-underlying net expenses impacting EBITDA</b>	<b>47.1</b>	<b>13.4</b>
Corporate charges	2.2	3.1
Loss (Gain) on asset disposals	4.5	(1.4)
<b>Non-underlying net expenses/(gains)</b>	<b>53.8</b>	<b>15.1</b>
Income tax charge	(1.5)	(1.6)
<b>Total non-underlying items</b>	<b>52.3</b>	<b>13.6</b>

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 FY23 and FY22 were as follows:

The non-underlying expenses net of gains and after taxation increased by €38.7m from a net expense of €13.6m in FY22 to a net expense of €52.3m in FY23, reflecting the following non-recurring expense and gains:

- 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. Payroll costs of the redundant roles are included from the point of acquisition or from the start of the financial year in which the restructuring programme takes place, including those costs which are associated with the delivery of customer contracts during this transition or integration period – €29.4m (FY22: €13m).
- 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 – €15.2m (FY22: €2.6m).
- Gains on acquisition related to bargain purchases arise for 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 for the acquisition. The gain on acquisition related to bargain purchases – €3m (FY22: €2.4m)
- Loss/Gain on asset disposals – loss of €4.5m (FY22: gain of €1.4m).
- The income tax charge related to the above expenses – €1.5m (FY22: €1.6m).

As a result of the above revenue and cost developments, the loss for FY23 was €42.2m (FY22: €3.5m).

### Cash flow and financing review

The Group's operating cash inflows decreased by €29.4m, from €75.5m in FY22 to €46.1m in FY23.

The Group's cash generated from operations (Free cash flow), including working capital movements, was €47.0m (FY22: €89.3m). The decrease in free cash flow was mainly due to planned restructuring costs and sites closures, partially offset by a favourable movement in working capital.

Our net cash used in investing activities during the year was €29.4m (FY22: €58.4m). €13.4m was invested in property, plant and equipment (FY22: €9.6m) and €17.7m was invested in intangible assets (FY22: €37.8m) and €5.1m cash acquired on acquisition of subsidiaries (FY22: cash invested in acquisition of subsidiaries €13.5). We also spent €3.3m on buying assets from related parties (FY22: sale of €1.2m).

In FY23, we repaid €51.7m (FY22: €40.4m) of our borrowings of which €28.4 (FY22: €25.6m) were repayments of the capital element of lease liabilities.

1. EBITDA is defined in note 2(s) on page 158.

2. Underlying EBITDA is defined in note 2(s) on page 158.

3. Proforma sales and EBITDA are defined in note 2(s) on page 158.

4. Net debt is defined in note 2(s) on page 158.



## Cash flow and financing review (continued)

There were no proceeds from borrowings in FY23 (FY22: €191.8m).

There were no dividends declared or paid in FY23 (FY22: €50m paid to Grenadier Holdings plc).

Net current liabilities were €50.1m (FY22: assets of €70.5m) at year-end. The net-current liabilities position in FY23 was mainly due to a €64.6m decrease in cash (FY22: increase of €123.2m) and a €17.8m increase in trade and other payables (FY22: €43.7m). The decrease in cash in FY23 was mainly due to a €38.7m increase (FY22: decrease of €10.1m) in non-underlying items undertaken to drive improved future cashflows and €52m bond repayable in October 23 (FY22: €nil.)

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

On 8 October 2023, the Group's existing bond of €52m was repaid and a new facility of €180m was agreed with BNP Paribas, Citibank, Commerzbank, HSBC and NatWest. The new facility includes a €50m term loan and an initially undrawn €130 million revolving credit facility. The revolving credit facility can be drawn in cash in multiple currencies and provides the Group with flexible financing to cover its mid-term needs.

## Cash balance and net borrowings

The Group's cash balance decreased to €154.8m in FY23 from €219.4m in FY22, a €64.6m decrease. The decrease in cash was mainly due to planned restructuring, site closures and repayment of loans.

Net borrowings at the end of FY23 were €285.3m (FY22: €231.6m). The unfavourable movement in net borrowings was mainly due to a reduction in cash (€64.6m), partially offset by a reduction in bank loans (€10.2m) an increase in loans receivable from a related party (€13.1m).

## 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, driving operational efficiency. All of the Group's 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.

Use of Alternative Performance Measures (APMs) – underlying and proforma figures:

Due to the Group's continuous acquisition strategy, 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' and 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. So, we use an APM with a 12-month 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<sup>2</sup> and EBITDA<sup>1</sup>, 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."

**Martin Edstrom**

Chief Financial Officer | Paragon







04

## BUSINESS REVIEWS



# UNITED KINGDOM, IRELAND AND LUXEMBOURG



**JIM HARTSHORNE**

CEO | Paragon  
UK, Ireland and Luxembourg

*"I'm immensely proud to be part of the successful growth story across our region, and I am incredibly grateful to my team for everything they have done to pave the way for our future success."*

## EVOLVING OUR BUSINESS STRATEGY

Having joined the company in April, we were already on a strong growth trajectory, which meant I could focus on the creation and implementation of a long-term strategy. To do that successfully, I needed to learn about the business and make sure that we capitalised on the value that had been created by our people as we set our direction for the future.

As I worked with my leadership team to set our strategy, it was clear how impressive our increasingly diverse capabilities were. It was, therefore, imperative that our strategy embedded collaboration as one of its main pillars. To ensure continuity between our current and future direction, we phased the strategy into short and medium-term periods. In the short term, we will focus on growth, governance and efficiency, enabling us to implement the long-term change needed to double our size over the next three years by achieving success in all our four bottom lines of People, Planet, Partners and Prosperity (PPPP). Each of these bottom lines is underpinned by ambitious targets and accurate governance and measurement. Our strategy embraces the entrepreneurial flare and energy of our people and gives them a structured framework to deliver growth with purpose.



# GROWTH

Our increased focus on organic growth, and releasing the synergies identified during the acquisition of WLCCM, Lettershop Group, DG3 Leycol, and Reason, have successfully delivered our revenue and profit targets for the year. This also enabled us to make the majority of the exceptional changes that were required during that period, helping us head into the year with a stable foundation for the delivery of our ambitious targets.

We have seen encouraging growth in our newer business lines, Workplace Solutions and DCX, as well as impressive growth in our more established business lines, Lead Supply, Customer Communications and Print Solutions. Recognising the significant opportunity in the BPO and Fulfilment Solutions sectors, we have created a plan for investment and growth in these business lines.

# NEW BUSINESS

Our analysis shows that those clients for whom we deliver solutions from more than two business lines spend more with us and commit to us longer-term. This analysis shows that our diversification and innovation across the business will bring success in the long term. For example, clients who engage with four of our business lines have an average revenue per business line of seven times that of a client who engages with just one. They invest their trust in us, so therefore, tend to work in partnership to consolidate all their spend across their business and gain the value we can offer across a far wider base.



# PEOPLE

The last year has seen our business take great strides in how we look after and better represent the diverse backgrounds of our people. This progress has taken many different forms across every area of our business, from new programmes and initiatives to appointing leading people to new roles.

Paragon now has a Diversity, Equity and Inclusion (DEI) Lead in Paulette Bailey, and she has begun the vital work of gathering the data and implementing the programmes that will ensure our business is a more equitable and inclusive place for our people. Our new staff engagement survey will be another significant programme in getting closer to our people and helping us to become the employer of choice in every one of our industries.

Our successful Reverse Mentoring Programme has continued this year with a second, expanded cohort of mentors and mentees. The programme has quickly become an essential initiative for spreading knowledge and sharing perspectives across the wider leadership of our business.

This desire to provide powerful representation inside and outside our organisation was also demonstrated by our sponsorship of Paralympic triathlete Mel Nicholls. Our backing has enabled Mel to focus on her preparations for the Paris 2024 Paralympic games, and we'll be following her progress every step of the way. Mel was also featured at the launch of the Paragon Women's Network, which brings together around 150 women from across the business to share knowledge, inspire colleagues and deliver positive change.

The Paragon Ignite apprenticeship programme has continued to grow, and the business currently has 22 apprentices aged 16-25 working across several of our sites, learning about our industry and developing their careers. We recognise the need to communicate our purpose and make Paragon attractive to up-and-coming talent, with the aim of future-proofing our workforce. These internal programmes like Ignite, combined with our leadership development initiatives like Quantum and the Paragon Growth Academy, are therefore vital to the future success of our business.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Embedding ESG into our operations, strategy and measures of success is a prime focus for our business. By reframing the success of our business across the four bottom lines (PPPP), we create a shift towards a culture that embraces ESG in everything we do. This shift includes measuring key metrics, such as carbon reduction, social value, and supply chain compliance at individual business unit and site levels. In 2022/23, we started to deliver that change and as we move into the next year, it will give us the opportunity to increase the ambition of our ESG goals.

By working towards targets that we have set within our ESG strategy, we will deliver prosperity for all our stakeholders, including significant profitable growth. Some of the ESG successes from last year include:

### Carbon Disclosure Project

Our ESG Team completed our first submission to the Carbon Disclosure Project (CDP). The CDP is an international non-profit organisation that helps companies find out about and manage their environmental impact. We received a B- grade, which in itself is a great achievement, but we know there are many of improvements we can still make. Our CDP score is of special interest to our clients, so it's vital that we take part in the programme and perform well. It's a very detailed examination, so getting an A grade is tough, but in our sights for the future.

### EcoVadis

EcoVadis is an international body that provides the world's most trusted sustainability ratings, and we have worked with them to measure the success of our sustainability programmes since 2015. They conduct painstaking assessments of your business across four main sustainability sectors: Environment, Ethics, Human & Labour Rights, and Sustainable Procurement, after which they provide you with a score out of 100 that shows how your business is performing.

The assessment examines not just a business' policies but also the actions taken. They want to know how sustainability is embedded into the organisation. Each year, the scope of the questions is expanded, so you can't just stand still and maintain your position. For the financial year 2022/23, we had a score of 74, giving us a Gold rating.

### ESG and tech innovation

With greater than 90% of our carbon emissions sitting in Scope 3, we must to grips with our value chain and form strong partnerships that will enable us to decarbonise the bulk of our emissions. To achieve that, we signed off on two major investments in technology that will facilitate the achievement of our ambitious scope 3 carbon reduction targets. These were:

- The Carbon Calculator, which included the automatic enrolment of all our contracted clients in our free carbon footprinting service, and the launch of our product-level carbon calculator, enabling us to assess and decarbonise in partnership with our expert teams accurately.
- PartnerHub. This system had been developed to capture extensive supplier and partner information, to enable detailed ESG evaluation, measurement, governance and compliance across our extensive supply chain, enabling far greater control over our Scope 3 emissions and, therefore, addressing one of the main challenges of our time.



## TECHNOLOGY OVERVIEW

**At the heart of our business lies our commitment to transformation for our clients. Our technological prowess is vital in empowering our clients to foster more meaningful connections, bridging the gap between them and their customers and employees. This achievement is made possible through the application of our flagship systems, OnePlatform® and Smart\_Cloud.**

This year, our technology team has also undergone strategic restructuring, geared towards enhancing the quality of service delivery to our internal and external stakeholders across various domains, including technology, product development, transformation, solutions and consultancy.

### OnePlatform®

Our commitment to continually evolving the OnePlatform® ecosystem is instrumental in delivering transformative customer communication capabilities for our clients. OnePlatform® serves a dual purpose – it enables our in-house customer communication capabilities, but we also deploy it as SaaS, supporting our clients' self-service requirements. Over the past year, we expanded our enterprise OnePlatform® client base from seven to fourteen, deploying over 225 million multi-channel communications each month.

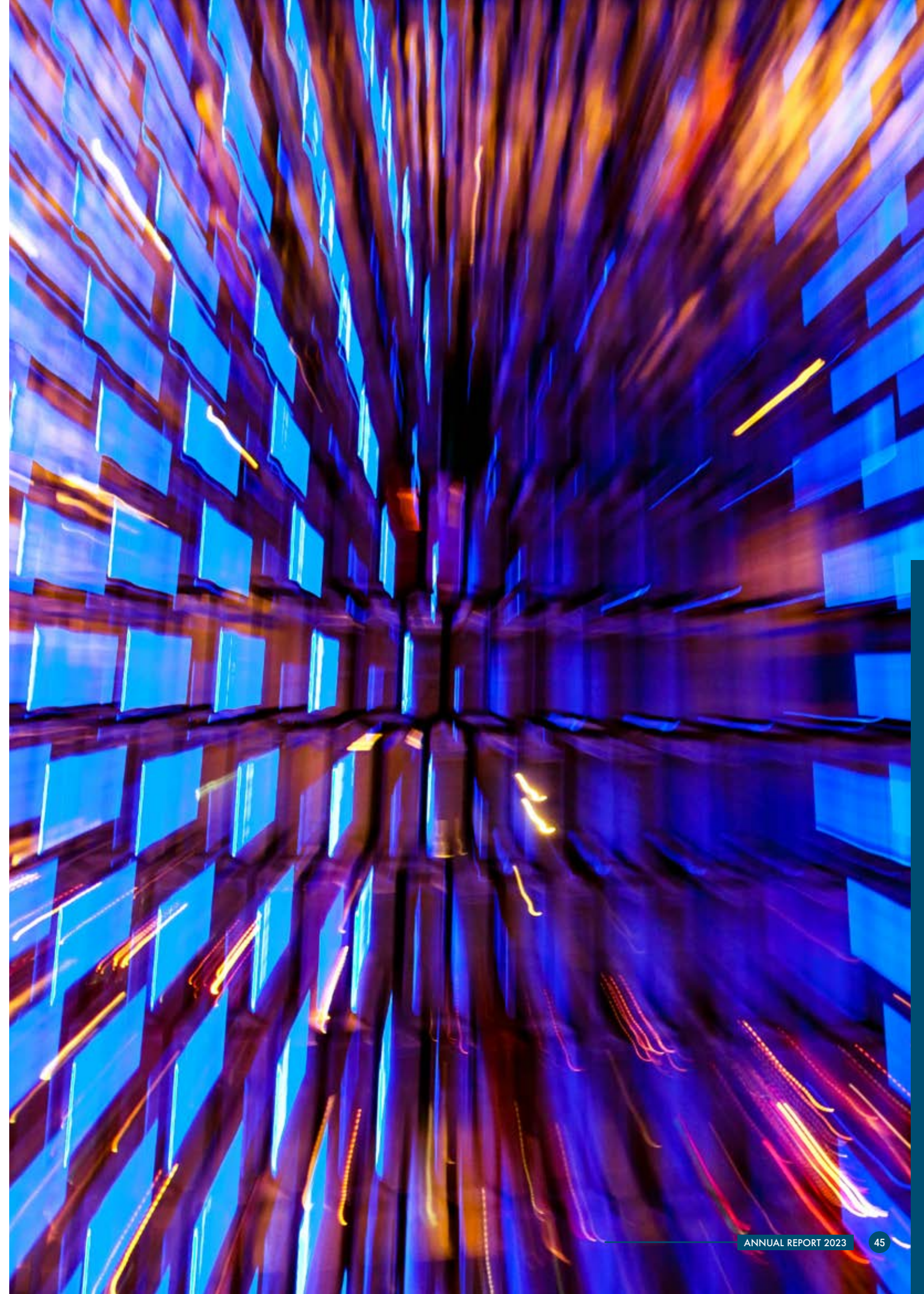
### Smart\_Cloud

Smart\_Cloud represents the convergence of vital marketing services systems to provide a seamless ecosystem to run every aspect of our clients' marketing operations. This allows for the procurement and execution of thousands of marketing campaigns. Most recently we introduced functionality designed to streamline the purchase, sale, and VAT recovery processes for European customers in a post-Brexit trading environment. This integration sustains the ability of our Lead Supply business line to provide exceptional value across diverse sectors.

## LOOKING FORWARD

Looking ahead to the coming year, I am enthusiastic about what I see. It will be my first full year as CEO of Paragon in the UK, Ireland and Luxembourg, and I can't wait to fully embed our strategy for growth.

I am confident about the future of our business because we have most of what we need to be successful: talented people, investors and a leadership team that want us to win, and customers who respect us and truly value the solutions and services we deliver for them daily. If we can continue to develop as a business and foster a strong culture of collaboration, I believe that we will become peerless in our business sectors. We now have a range of innovative services with market potential, either sold separately or as bundles, with the expert capabilities to bring new services to market.





# WESTERN EUROPE



**GUILHEM BOUCON**  
CEO Paragon | Western Europe

## STRATEGY

**This has been a particularly successful year for Paragon Western Europe (WE), resulting in double-digit growth across our business. We've achieved this level of success by carefully balancing organic and acquisition growth.**

## SHORT TERM

Paragon Western Europe continued to deliver external growth to support its consolidation strategy within the Customer Communications business line through the acquisition of Bretagne Routage from Docaposte. This acquisition confirmed our leadership in the French market and increased our market share in Customer Communications to 20%. We have increased our value to our clients with more focus on business continuity, innovation (hyper personalisation) and sustainability.

We are also proud to have acquired post year TDM Log, a company that, thanks to its strength in the mail order market and its innovative product 'New V'lop' will boost our direct marketing capabilities. This product is a great sustainable alternative to film wrapping that can offer savings on postage costs. Our Customer Communications business line is now a consolidator in this main market.

External growth has enabled us to continue developing our Business Process Outsourcing (BPO) business line. We acquired CFBS, a subsidiary of Canon France dedicated to BPO, enabling Paragon to double its presence in the BPO market and become a business line with more than 1,000 people and four production sites in France. CFBS brings strong synergy potential and value to Paragon Western Europe's BPO customers, with a strong focus on cybersecurity, digital assets, automation and productivity improvement, but also customer focus. Paragon Western Europe is now one of the leading BPO companies in the French market.

Purchasing teams have helped to achieve major savings on main cost drivers such as waste management and transport costs, while also tightly controlling raw materials and energy costs.

And from a sales perspective, our sales teams have successfully passed on price increases to reflect the pressure of transport, energy and wages, which have seen significant inflation. This explains around 30% of our sales growth for this financial year.



## MEDIUM TERM

Our transformation plan remains focused on becoming a global outsourcing service provider to our customers for all the processes that connect them with their customers.

Our reorganisation into our business lines, each of which has full control and focus on its development, is progressing at a very fast pace. At the governance level, all business lines now have their own management teams with clear objectives, and development projects have been launched with their top and middle management teams. We also completed the first major project to transfer activities from one legal structure to another and align legal structures and business lines. Its success in all aspects, from customer acceptance to social, IT and financial perspectives, will help us to accelerate in this direction over the next two years.

The Paragon Western Europe regional teams have redefined and clarified their roles and responsibilities to support the business lines in delivering their strategies and synergies in areas such as purchasing, communications, HR, legal, sales, and M&A. We have also done the same for performance reporting. The harmonisation of ERP implementation, as well as HR, CRM and contract management tools, is now almost complete across all business lines.

To sustain our growth in the medium term, we plan to continue to rely on external growth to consolidate the mature markets (Customer Communication and Print Solutions) and to accelerate our move towards a leading position in the growing markets (BPO, Fulfilment Solutions and Lead Supply).

Our CapEx strategy focuses on two main priorities: reducing our cost drivers and delivering breakthrough innovations, such as robotics in Fulfilment, MemJet technologies in Print Solutions, or new sales channels such as our Post Solutions website for postal products.

We have also put our customers back at the centre of our business. For the past two years, we have carried out an annual customer satisfaction survey – the Net Promoter Score – which lets us not only assess our customers' satisfaction with our services and support but also to identify concrete areas for improvement so we can quickly implement action plans. These global surveys are supplemented by other targeted customer assessments to provide regular feedback throughout the year.

Our Communications Team have also implemented our divisional rebranding project, and since January have been delivering a more structured and focused communication plan with very pleasing results.

## GROWTH SUCCESS

This year's growth was also driven in part by our rigorous management of prices to reflect the sharp rise in energy, wages and raw materials. We also had major business wins, such as the social housing ballot campaigns and the full-year effect of the previous year's wins in the transactional area of customer communications: Société Générale and Pro BTP. The expertise developed in Lead Supply is also building a strong pipeline for growth.

This growth is also supported by the positive feedback we have received from our customers, who appreciate the customer success manager role we have created to improve our contract and service management processes with them.

Our expertise and achievements in the field of voting have led us to create a dedicated organisation under the leadership of Jean-Yves Kernal and to strengthen our technology partnerships. Voting is an area in which we now have the ambition to become a market leader, building on our main differentiator of having all the skills to deliver the service within our business lines.

## PEOPLE

The Great Place To Work survey is an opportune moment for Paragon Western Europe to take a broad look at the trends that drive the perception and pride of its people. All business lines are delivering improvement action plans and the latest survey shows that the areas where we have focused our actions are showing the best improvements in perception.

Paragon Western Europe implemented several actions to enable progress in the areas identified by colleagues. We launched our newsletter, which played an essential role in improving internal communications, as did our quarterly regional managers' meetings. We also improved the way we recognise our people, how we communicate our strategy and deliver training. Our people have also benefited from the new incentives we have introduced, such as co-optation, knowledge transfer or business contribution.



The teams are now working on the action plan to improve our Great Place To Work indices further. We have also implemented the Expensya application to simplify and digitise the management of expense claims. The signing of a charter providing a framework for working from home at the Nanterre site enabled us to respond to strong demand from our teams there. Other targeted measures, such as the simplification of leave rules or the organisation of break rooms, were implemented in response to feedback from people at specific sites.

Paragon's teams have been enriched with great new talents, such as Marianne Descamps, who joined Paragon as Regional Chief People Officer with a strong background of 30 years' experience in large companies like M6 and Accenture. Marianne will focus on supporting our business lines in building a strong 'One Paragon' culture and employer brand and delivering a business partner structure for our HR teams. Many other young talents have joined Paragon within the business lines or at a regional level.

Internal promotion recognises exceptional achievements and continuity. Mahdi Bouzoubaa was promoted to COO of Paragon (WE), demonstrating our determination to accelerate the region's development.

Patrick Sauze has been promoted to Director of Print Solutions. Patrick's in-depth understanding of the business will enable him to develop the Print Solutions business line and offer solutions that are increasingly in line with today's challenges. The same goes for Olivier Sittler, who now heads the Customer Communications business line, and whose management and delivery skills show that he is the right leader to steer the future of this business line in three main directions: market consolidation, innovation and digital.

Our diversity comes partly from the various acquisitions we have made. In the past, we have successfully integrated them from a legal point of view. We have complemented our approach with change management for the most recent ones. We organised a roadshow with our regional CEO Guilhem Boucon who explained why Paragon (WE) acquired their company and to meet the new colleagues. It was very well received.

## ESG

2022-2023 allowed us to deepen the major projects we had started a few years ago around our three ESG pillars: People, Planet and Partners.

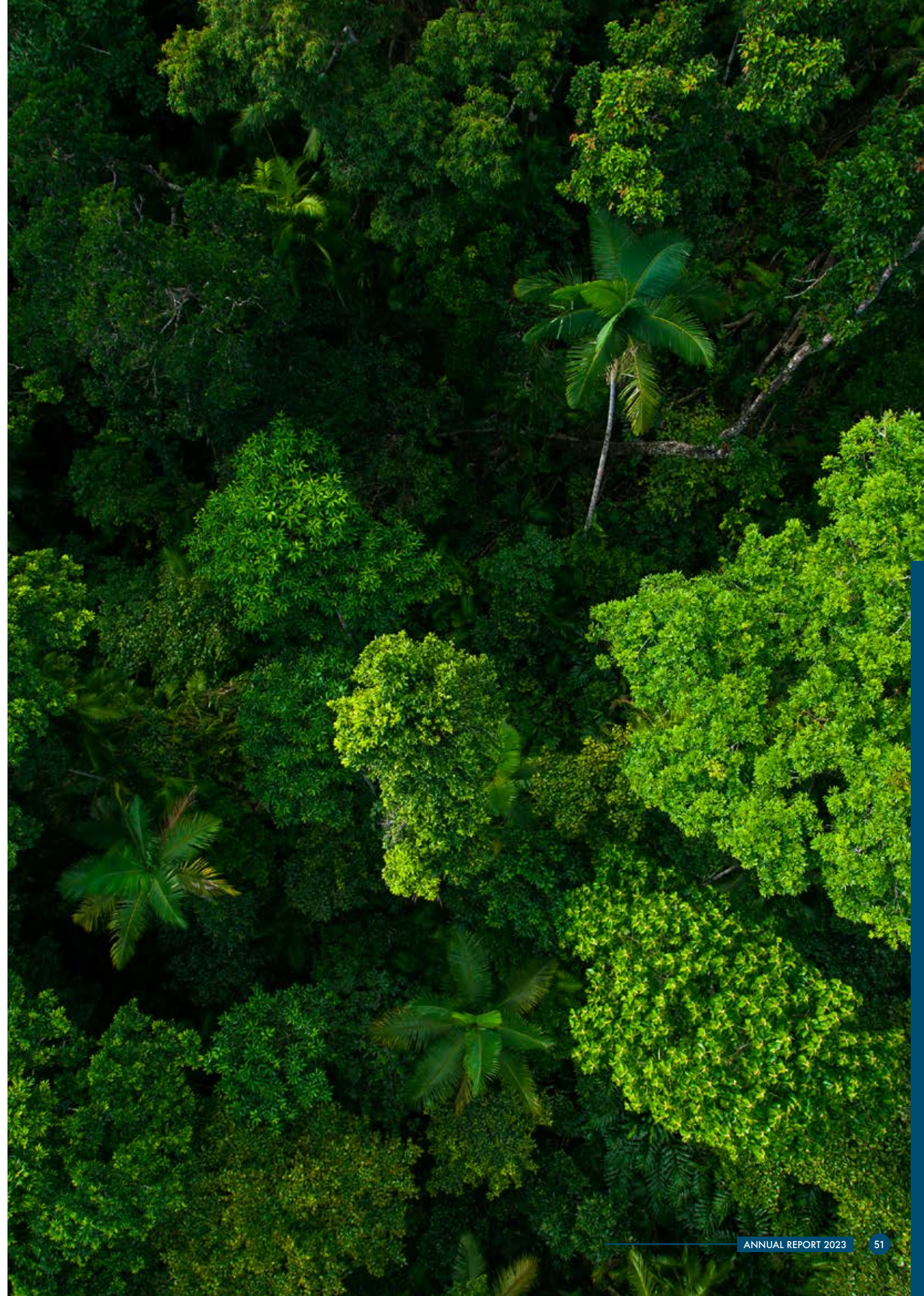
Reducing our impact on the planet and promoting biodiversity remained our main objectives during the year. The ESG highlights for the year include:

- Reducing water consumption (installation of flow reducers and timed taps). For the Cosne plant, this resulted in a 5% reduction in water consumption per tonne produced
- Reduction of energy consumption (LED lighting, motion detection, air leakage detection and repair campaign, temperature reduction). We have achieved approximately a 30% reduction in gas consumption at the Cosne plant compared to the previous year, and a 5% reduction in electricity consumption at Cosne over the same period
- Romania tree planting programme: 3,000 acacia trees planted near Bucharest
- Two new beehives installed and funded by Paragon at Lille Hospital

We invested heavily in sustainability training, with 151 of our people attending a one-day session open to all employees – an important step in spreading sustainable culture in the company. In eco-design, 46 sales representatives attended face-to-face training. In management, 34 managers were trained over five days in six months, covering and reviewing the basics of management. It was also a good opportunity to meet colleagues from the other business lines and strengthen their links.

The ISO 45001 certification awarded to our Bozoul and Cosne plants demonstrates our focus on workplace safety. Two of our production sites earned the 'Origine France Garantie' certification for our efforts in promoting local production and supply chains to reduce carbon emissions.

Last, but not least, we are committed to working with our customers to achieve net zero by signing up to the SBTi commitments and targets. In particular, we are developing a network with companies that mainly employ disabled people and have exceeded our 'legal commitment' by 30% for the PTSA in 2022 (disabled employee rate 7.8% vs. 6% legal commitment).





# GERMANY, AUSTRIA, SWITZERLAND AND CENTRAL EASTERN EUROPE



**THOMAS SIMON**  
CEO | Paragon DACH & CEE

## STRATEGY AND GROWTH

**In the Germany, Austria, Switzerland, and Central Eastern Europe region, we have further honed our strategic focus and prepared the organisation for growth.**

Paragon DACH & CEE has solidified its position as one of the leading players in the transactional outbound market and, in the fiscal year 2022/23, we have continued to strengthen and consolidate this standing. Notably, we successfully implemented outsourcing contracts secured from prominent banks, insurance companies, and main players in the automotive industry. These accomplishments have propelled our market presence, solidifying our reputation as a reliable and innovative partner.

Our sustained success can be attributed to our significant investments in infrastructure, technology, and machinery, as well as our comprehensive digitisation offerings. These strategic investments have positioned us at the forefront of the market, enabling us to meet and exceed the evolving needs of our clients. Moreover, our unique 4-site concept, integrated business continuity management (BCM), and nearshore processing capabilities in locations such as Krakow, set us apart within the region. We are committed to leveraging these advantages to continue shaping and driving the development of the market.

Furthermore, our service portfolio is enriched by our extensive capabilities in business process outsourcing (BPO). In addition to our expertise in creating engaging presentations and comprehensive proposal documents for our clients at the Warsaw location, we have established ourselves as a reliable partner for incoming mail processing with case-closing capabilities, seamlessly complementing to our transactional outbound services. Strategically, we stand at the threshold of a promising growth phase in this area, and are enthusiastic about the outstanding organic and acquisition-based growth prospects that lie ahead. We are poised to capitalise on these opportunities, further consolidating our position as a leader in the industry.

Our offering is further enhanced by our direct marketing production. As the leading player in Germany, we are committed to maintaining and fortifying this position in the years ahead. The market landscape is fiercely contested, and our strategy revolves around establishing cost leadership through nearshore production and maintaining a technological edge in German production. Providing comprehensive support to our clients, including in-house envelope production, serves as a unique selling proposition (USP) that we effectively leverage in the market, distinguishing us from our competitors.

The fiscal year 2022/23 was marked by a strategic sharpening of our service lines, coupled with organisational alignment and substantial technological investments aimed at fostering growth. These efforts have strengthened our position within the respective market segments, positioning us well as we enter the new year 2023/24. Despite the anticipation of continued turbulent market conditions, we are well prepared to navigate the challenges and capitalise on the opportunities that lie ahead, further cementing our standing in the industry.



## PEOPLE

To ensure the strategic development of the organisation, we reorganised our Executive Board. In April 2023, Johannes Stadlmayr started as Chief Operating Officer (COO), bringing a wealth of experience and expertise to the role. This strategic move was made to enhance our operational capabilities and streamline our leadership structure. The COO position was previously held by Thomas Simon in a dual capacity as CEO. As part of the reorganisation, Thomas will now concentrate on spearheading the strategic development and growth initiatives of the organisation.

Johannes's primary mandate as COO is to oversee the operational excellence of our organisation. This encompasses direct oversight of production, ITIS, and technology, with the added responsibility of managing the international managing directors in Nyrany, Krakow, and Warsaw. His extensive operational experience and strong emphasis on BPO are poised to bring valuable insights and efficiencies to our operations, positioning us for sustained growth and success in a competitive market landscape.

Furthermore, Thomas Sperl, previously responsible for technology as the Chief Technology Officer (CTO) on the Board, is now Director of Digitisation, a move prompted by his desire to drive innovation and spearhead digitisation initiatives for our clients and internal processes. This strategic realignment underscores our commitment to leveraging cutting-edge technologies and digital solutions to enhance our value proposition and drive sustainable growth.

Meanwhile, Philippe Coquelet (CFO) and Alexander Schäfer (CSO) will continue in their respective roles on our Executive Board, providing steadfast leadership and strategic guidance as we navigate the evolving business landscape. Their unwavering commitment to operational excellence and strategic vision will be instrumental in driving our organisation's continued success as we embrace new opportunities and overcome challenges in the marketplace.

We have made significant strides in our efforts to further diversify our leadership team by incorporating exceptional talent from adjacent industries. Vivien Thies has taken on the pivotal role of Director of Sales, Transactional assuming responsibility for our sales operations in Document Output. She is ably supported by Alexandra Rompe, who joined us as Head of Service Management during FY 22/23. Additionally, Jasmin Glugla (Billing) and Ksenia Jahnke (Controlling) have expanded their areas of responsibility and have taken on overarching management roles.

The European Leadership Development Programme has embarked on its second iteration, uniting top-tier leaders from Paragon in an exceptional international development scheme. In this second round, six individuals from our region are participating, and we foresee that programme participants will take on expanded responsibilities in the upcoming fiscal year. This programme is complemented by 'Young Paragon', a specialised initiative designed for emerging leaders as they progress towards their initial leadership roles.

Our commitment to cultivating a diverse and dynamic leadership cadre is exemplified by our ongoing efforts to integrate outstanding talent from diverse backgrounds and industries. We firmly believe that this approach will not only enrich our leadership team but also drive innovation and excellence across our organisation, positioning us for sustained success in the ever-evolving business landscape.

During the fiscal year 2022/23, a comprehensive series of transition workshops was executed under the banner of 'Sustainably connected, smarter communication', aimed at harmonising disparities across various locations and formulating standardised leadership and collaboration guidelines. The exceptional outcomes achieved through these initiatives have significantly fostered greater cohesion within the organisation, bringing teams closer together and enhancing overall operational synergy.

At our core, we are dedicated to upholding principles of equal opportunity and fair treatment, and are committed to fostering an environment of openness for our people and applicants from all walks of life. We firmly believe that our industry and our organisation stand to benefit from fresh perspectives, and we are unwavering in our conviction that embracing greater diversity will ultimately lead to heightened business success.

## TECHNOLOGY

In addition to continuous investments in existing infrastructure and its expansion and modernisation, we continue to actively drive innovation with our customers. To give us a technologically sustainable backbone for all delivery processes, we have kicked off various IT projects, which help us to focus on standardised service offerings, scalable resources and regulatory compliant services for our customers.

### Project Gateway

Gateway drives the transfer, modernisation and transformation of IT infrastructure (servers, storage, network components, end user computers, to our long-term partner Atos. The project was set up to:

- Meet and exceed latest information security, IT security and data protection standards to protect our customers and us from IT and cyber risks



## TECHNOLOGY (CONTINUED)

- Refresh a significant proportion of our IT infrastructure with state-of-the-art technology
- Access sufficient and highly qualified specialists to fulfil our customers' requirements more quickly with a professionally operated infrastructure
- Consolidate local data centres into a central Twin Core Data Centre, using the latest hardware components and extending the useful life of components, in line with our sustainability goals

Gateway started at the beginning of 2023. So far, Atos has taken over the service desk for Paragon employees. As a result, we have already achieved a significant improvement in troubleshooting. Atos implemented multi-factor authentication, the public key infrastructure (PKI) for encryption and a new secure mail gateway (SMG) in information security.

In the upcoming fiscal year, the first proof-of-concept application migrations to Atos will begin. The experience gained will be incorporated into the migration plans for our production systems. The migrations of ~800 systems will begin at the end of January 2024. The transition and transformation should be completed by the end of 2024.

### Project OnePlatform®

Our USP in the Document Output business is most and best known for the capability to produce mail pieces as close to the end recipient as possible, we call it the four-site concept. Before the start of OnePlatform, this four-site concept was based on fragmented systems for layout, data input, workflow and reporting. This fact made all processes expensive and hard to maintain.

With OnePlatform, we can now process all incoming data on a single platform by using a healthy mixture of standard software and products that have been self-developed to fit the needs of our customers. The architecture makes it easy to load balance between sites to cope with peaks and enhance business continuity. Other advantages are that other sites, even out of Germany, will be easy to connect. An integration of our Inbound business will also grant a clear 360-degree view of all customers, making OnePlatform beneficial to our customer – no matter how large their volume.

As of June 2023, about one-third of our Document Output business have been migrated to OnePlatform (100% Schwandorf volume and parts of Weingarten). The order of migrations was determined by economies of scale and the project milestones of Gateway.

In the upcoming fiscal year, we will finish the migration work in the following sites:

- Magdeburg – all volume by October 2023
- Weingarten – part of the volume by January 2024
- Korschbroich – all volume by June 2024

The migration will include digital platforms such as smartDelivery, smartPayroll and smartPrint.





# TECHNOLOGY (CONTINUED)

## Project OneERP

Enterprise Resource Planning (ERP) systems play a pivotal role in streamlining business processes in a corporation. So, we have migrated into one ERP system for the whole DACH region in April 2023.

Implementing a single ERP system across all departments and subsidiaries offers several distinct advantages over managing multiple disparate systems.

Our project OneERP was successfully completed in the fiscal year 2022/23, so we are keen to see benefits in terms of efficiency, transparency, cost-effectiveness, and data analysis.

In alignment with this commitment, Paragon DACH and CEE has set an ambitious target to attain climate neutrality by 2045. This strategic goal was established by our management last year, underscoring our dedication to proactive climate action. To facilitate and bolster this commitment, we have formulated a comprehensive net zero transformation concept, initially implemented at our Korschenbroich site, with plans for gradual expansion to our other operational locations.

As part of our overarching strategy, we have outlined a reduction pathway that aims to achieve a substantial 40% decrease in emissions by 2032. This milestone reflects our concerted efforts to implement meaningful and impactful changes within a 10 year timeframe, contributing to the broader mission of environmental sustainability and climate stewardship.

# SUSTAINABILITY

The transition towards sustainability and responsibility is an ongoing process that requires continuous commitment and action. In line with this, we are dedicated to enhancing our efforts to minimise our environmental footprint and increase our positive impact on the planet. This commitment is underlined by our ambitious target to achieve carbon net zero across Scope1, 2 and 3 by 2045.

Moreover, our emphasis on energy efficiency has been further reinforced through the implementation of a diverse array of measures aimed at perpetuating the reduction of energy consumption across all our operational sites. These multifaceted initiatives exemplify our proactive approach to addressing environmental challenges and underscore our unwavering commitment to sustainable business practices.

Moreover, our dedication to sustainability extends beyond environmental concerns to encompass social and community impact, as well as fostering strong partnerships. We recognise the interconnectedness of sustainability pillars and are committed to advancing our positive impact across planet, people, and partners.

# PLANET

The imperative to mitigate global climate change by drastically reducing greenhouse gas emissions has become increasingly urgent. It is widely recognised that achieving net-zero emissions globally by 2050 is critical to curbing the progression of global warming. This imperative holds particular significance for us as an energy-intensive company, as we understand and embrace our responsibility to contribute to this essential endeavour.



## PEOPLE

A focus in the past fiscal year was on employee health and mobility, reflecting a growing understanding of the importance of holistic wellbeing in the workplace. For example, the implementation of JobRad, a cost-effective and environmentally friendly mode of transportation, has provided our people with a sustainable mobility solution. This initiative not only promotes physical activity but also supports our commitment to reducing our environmental impact.

As well as efforts to enhance physical mobility, a wide range of programmes and services centred around mental and physical health, fitness, and healthy nutrition were made available at our various locations. These initiatives aim to support and encourage our people to lead healthy and balanced lifestyles, ultimately contributing to a positive work environment and overall wellbeing.

Moreover, the recent endorsement and adoption of the Diversity Charter has propelled the acknowledgment, valuation, and integration of diversity at Paragon DACH and CEE. This commitment to diversity and inclusion enriches our organisational culture and fosters an environment where all individuals feel respected, valued, and empowered to contribute their unique perspectives and experiences to the company's success.

## PARTNERS

In this area, we pushed several initiatives:

- Establishment of processes, policies, and audits in the field of sustainable supply chain based on new legislation in Germany and Europe. This included the thorough examination of our supply chain to ensure compliance with environmental and social standards, and the implementation of new reporting and monitoring mechanisms to track our progress.
- Establishment of a Corporate Governance Committee to handle risk management and compliance issues professionally. This committee has been tasked with overseeing the company's governance framework, ensuring that it aligns with best practices and legal requirements, and providing guidance on risk management strategies to safeguard the organisation's interests.



- Introduction of a whistleblower system to empower employees to report any unethical behaviour or misconduct they encounter in the organisation, reinforcing our commitment to transparency and ethical business practices.
- Revision of our Code of Conduct to reflect the latest ethical standards and industry best practices, emphasising our dedication to integrity, fairness, and responsible business conduct across all aspects of our operations.
- Successful EcoVadis certification with a renewed Gold award, demonstrating our continued commitment to sustainability and responsible business practices, and showcasing our positive impact on environmental and social issues within our operations and supply chain.

## OUTLOOK

The upcoming fiscal years will be characterised by the new CSRD reporting obligation in the EU and the associated amount of new key figures and ESG risk assessments. Additionally, we anticipate further regulatory developments and evolving stakeholder expectations, which will necessitate ongoing adaptation and enhancement of our sustainability strategies and reporting processes. Moreover, we foresee increasing demands from our customers, who seek to partner with companies that share their commitment to sustainability and are capable of addressing the complex challenges of the future in a responsible and impactful manner. This presents an opportunity for us to further strengthen our position as a trusted and competent partner in sustainable business practices and to drive positive change within our industry and beyond.



# THE NETHERLANDS AND BELGIUM



**MIEKE CLARK-MARSMAN**

CEO Paragon | The Netherlands & Belgium

*Find out how we combine data and technology  
with creativity to create connections that matter*

## STRATEGY

**Our growth is built around the strategy of diversification across lines of business. We expand and innovate our services portfolio with the objective of growing and doubling our presence in the Netherlands and Belgium.**

We do this by helping organisations to create next-level connections for happy customers and employees. To this end, we combine our expertise with leading technology so that organisations can turn their ambition and strategy into truly achievable goals.

Our solutions support all steps in the customer journey. Be it data-driven customer engagement, multichannel marketing, omnichannel communication, fulfilment solutions, workplace solutions and business process outsourcing in inbound and output management. We help our customers transform in front of and behind the scenes, becoming successful in their digital transformation and improving their customer journeys and experiences.



## SHORT AND MEDIUM-TERM

Our focus for the next two years is to expand further and innovate the service offering of our business lines: to deliver robust and sustainable organic growth while focusing our investment on acquisition growth.

In 2023, we acquired MINC, a strong provider of logistics and fulfilment services for online shops and e-commerce operations. With 80 people employed across its offices in Mijdrecht and Apeldoorn, our regional and international Paragon footprint will allow our customers to benefit from greater efficiencies and extended services. With MINC in our family, we will now be able to fulfil our common ambitions and capitalise on these growth opportunities. Johan Maring, the previous owner of MINC, will lead the further growth of the Fulfilment Solutions business line.



## GROWTH

Our growth strategy focuses on expanding our business organically as well as via further acquisitions. For organic growth we want to be the market leader around five propositions.

### Our SaaS solution OnePlatform® for high volume omnichannel communications

- With more than 125 clients in our highly digitised business-to-consumer market, our advanced – no CapEx -- multichannel customer communications management solution is at the forefront of functionality and technology and can be implemented both as a dedicated environment and a SaaS solution.

### Digital customer experience and professional services

- Existing and new clients continue to ask us to steer and manage their digital transformation. We do so by delivering customer experience consultancy, expertise on Quadient Inspire technology and managed services on output management.

### Integrated outbound and inbound services

- In Berkel, we offer the first fully integrated outbound and inbound facility in Europe. A growing number of clients have experienced the efficiency, costs and customer experience benefits of this holistic approach. And in our location in Heusden-Zolder in Belgium, we serve national and international clients with AI and automated services for back and front-office processes

### End-to-end marketing services

- From our locations in Den Bosch, Apeldoorn and Velsen, we deliver automated supply chain solutions and creative capabilities to produce 'on demand' campaigns and print. From full-colour catalogues to manuals. We have delivered some brilliant consumer-focused campaigns for clients like Uber Eats, Crisp, Domino's Pizza, Picnic, Indeed and Medtronic.

### Personalised e-fulfilment and logistics solutions

- In Mijdrecht and Apeldoorn, we provide e-commerce entrepreneurs and clients with specialised logistical needs with high-quality bespoke fulfilment services that we have professionally designed and fully automated.



## CLIENT SUCCESS

The Social Insurance Bank implements social security in the Netherlands and is responsible for the implementation of the AOW pension and children's benefits. To focus its services on more than five million citizens and to communicate in a timely manner via the right channel at the right time, SIB uses OnePlatform®, which lets them maintain central control over all digital and physical channels and content.

Vattenfall Netherlands is a supplier of electricity, natural gas and district heating. Vattenfall's services to its customers are characterised by seven promises, of which customer communication is the main part. With OnePlatform®, Vattenfall can ensure that communication with its customers is fast, personal, and transparent, making a substantial contribution to an optimal customer experience for its more than two million customers.

PostNL is the largest postal and parcel delivery service in the Netherlands. With a new process for faster and more flexible printing of labels for addressing more than 25 million roll containers and bins that PostNL uses each year, Paragon has delivered a solution that speeds up the labels' readiness and reduces administrative costs. It has significantly reduced the number of old labels PostNL once discarded.

## OUTLOOK

When looking forward to 2024 and beyond, our goal is to reach double digit growth on UEBITDA. We will do so through a combination of:

1. Accelerated organic growth by focusing on our core propositions
2. Selective acquisitions that strengthen our business lines in competencies and capacity
3. Improved our margins via enhanced services that enable our clients to execute their strategy

## PEOPLE

Every day, some 500 colleagues from eight locations in the Netherlands and Belgium dedicate themselves with great enthusiasm. Working with the latest technologies, machines and methodologies in first-class production locations, our colleagues deliver quality, speed, and safety. They listen to our customers' wishes, and are already working on the improvements and innovations of the future. This is how we guarantee the best approach, now and in the future.

We have a transparent, informal organisation. Our decision lines are short, communication is open and direct, and at all levels the doors are literally and figuratively open. Our mentality is one of taking action with ownership, enthusiasm and inventiveness. This is reflected in our employees; down-to-earth, decisive people who can look beyond the boundaries of their jobs, goals and tasks.

We consider cooperation to be one of the main core values. We help each other with questions, tackle challenges together, but also feel free to plan a meeting to 'catch up'. Our business is as much about people as it is about processes and outcomes.





# TECHNOLOGY

## Personalisation

There is no average customer. They want to do business with companies that know their individual and business needs and preferences, and who are willing to tailor the experience accordingly.

## Simplicity

An explosion of information, connected networks and more competitive options lead to little tolerance of complexity. Customers do not have time to wait, so they place a real premium on simplicity.

## Speed

The pace of business is accelerating rapidly. Time is of the essence, so our clients cannot afford to wait while their business challenges are being considered. They value companies that offer real-time response and anticipate their future challenges.

All our business lines have a long-term growth strategy. These objectives are of course influenced by many factors, not least the tremendous acceleration in digitalisation in the Netherlands and Belgium. In 2023, technological investments and innovation have supported these growth objectives by offering solutions to customers whose businesses are shaped by digitisation and related changing customer needs. Examples include the rapid growth and adoption of real-time digital communications and channels, further acceleration of automation, and customers

demanding maximum control of our operational processes. Research shows that three topics are central to a good customer experience: speed, simplicity and personalisation. As long as we help our clients focus on creating better, more convenient experiences for their consumers, there are plenty of ways we can integrate new technology and help our clients operate more efficiently.

In 2023, Paragon in the Netherlands and Belgium achieved a number of technological milestones. These milestones supported the company's growth objectives and set the stage for further growth.

## Cybersecurity

We made significant investments in cybersecurity in 2023 and created a competitive advantage. This includes the implementation of a SOC2 type II report, advanced email protection software, data encryption, multi-factor authentication and Azure AD Password Protection. These measures have further improved the maturity level in the area of Cyber Security and Privacy. The audited SOC2 report gives our clients confidence that their customer data is in good hands with us.

## Application rationalisation

We started an application rationalisation programme in 2022 that continued in 2023. It aims to replace the company's legacy applications with more modern, scalable solutions and to combat redundancy in the application stack. Application rationalisation

will improve the cost, quality and capacity of our IT infrastructure.

## Dynamics365

We have begun a series of customisation projects to our Dynamics365 application. This series will eventually lead to a fully functional ERP/CRM solution in the Azure cloud, and is a major step in our application rationalisation programme.

## OnePlatform®

OnePlatform®, our managed hosted communications platform, continued its development in 2023. The main tenders have been won and customers such as Vitens, SVB and Vattenfall have been onboarded on the platform.

## Print on Demand

We took a major step in the further development of our Print on Demand service in 2023. We designed an entirely new process flow and IT architecture, which improves our processes and aligns better with those of our clients. These include an API platform and the use of Azure Service Bus for optimal workflows.

## Technology Team

Our technology team continued to expand in 2023. Traineeships have started and new, young colleagues have been inducted through a customised training plan. Also, in our Consulting and Agency business line, a significant step was taken in building knowledge about customer experience and customer journeys. A CX Lab has been set up, through which Paragon can share its knowledge and experience with clients. This also brings new opportunities: innovation can come from anywhere, inspired by conversations with our clients and technology partners, and as part of the process, as we solve client problems within Paragon.

## Conclusion

Paragon in the Netherlands and Belgium made significant investments in technology in 2023. These investments have better protected the company from cyber attacks, helped it achieve its growth targets, and paved the way for further growth in the future



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our ESG strategy is well under way. With an impressive set of ISO certifications, the base structure has been created and, with our participation in the international Sustainability Team, we pursue shared goals.

## AMBITION

It's our ambition to measure goals in the main ESG areas, like making an active contribution to reducing our CO<sub>2</sub>e footprint, working safely and healthily, sustainable employability of our people, and forming true partnerships with both customers and suppliers.

### Our highlights of the past year

#### Sustainability annual report

- The first sustainability Annual Report, *Tour du Sustainability 2022/2023*, has been drawn up for the Netherlands and Belgium region. This includes personal interviews with our stakeholders that show we have shared insights which will set the basis for working together.

#### EcoVadis

- We have been awarded the EcoVadis Gold rating for the sixth time in 2022.

#### ISO 26000

- We have obtained the ISO 26000 self-declaration via the NEN.

#### ClimateCalc

- It makes us proud to have obtained the international certification of ClimateCalc in May 2023. We can now make CO<sub>2</sub> footprint calculations, even at product level. We can also follow our progress and share this with our clients and work on improvements together. Clients respond positively to this certification and it has given us a competitive advantage.

#### OpenUp

- We value our people greatly, and have the drive to ensure that they feel good about themselves. Mental wellbeing has a great influence on thinking, feeling and behaviour.

- To support our people, we entered into a partnership with the OpenUp platform at the end of 2022. Our people can find various way of support in a completely secure and private way.

#### Sustainable employability

- Continuous focus on the development of our people is essential for employee satisfaction and retention. Therefore, we have made learning accessible for all our colleagues. We have entered into a partnership with the online training platform Good Habitz.

#### Mobility policy

- A new mobility scheme has been implemented with more flexibility of choice. It's possible to opt for a fully electric car regardless of mileage. A lower personal contribution applies to make electric driving more attractive.

#### Buying paper

- Although we almost only buy paper with an FSC quality mark, we also investigated the possibilities of using CO<sub>2</sub> neutrally produced paper. This has resulted in making the switch to CO<sub>2</sub> neutral paper for several clients. This is a great example that we can lower our Carbon footprint in cooperation with our clients.

## Future plans for ESG

A roadmap has been developed focusing on the pillars of People, Planet and Partners.

Our short-term projects include an employee survey, a waste reduction and process optimisation project. Furthermore, we will integrate the United Nations sustainability goals as much as possible into our business operations.





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## SUSTAINABILITY



# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

## CLIMATE-RELATED FINANCIAL DISCLOSURES

This report covers our disclosures in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, Sections 414C, 414CA and 414CB of the Companies Act 2006 (the 'Act'), and is part of our reporting suite for the 2022/23 financial year.

Climate change presents ongoing risks and opportunities for all businesses, and Paragon is no exception. It will directly impact our operating models and costs, and is already driving changes in market requirements and aiding in the assessment of the climate-related risks and opportunities required by regulatory and legislative changes across our regions.

We welcome the increased transparency these regulations demand. We are proud of the progress we are making with our ESG programmes, but we are also aware of the work still to be done to fully integrate ESG and climate-related risk into our core business strategy, risk profiling and reporting.

## GOVERNANCE

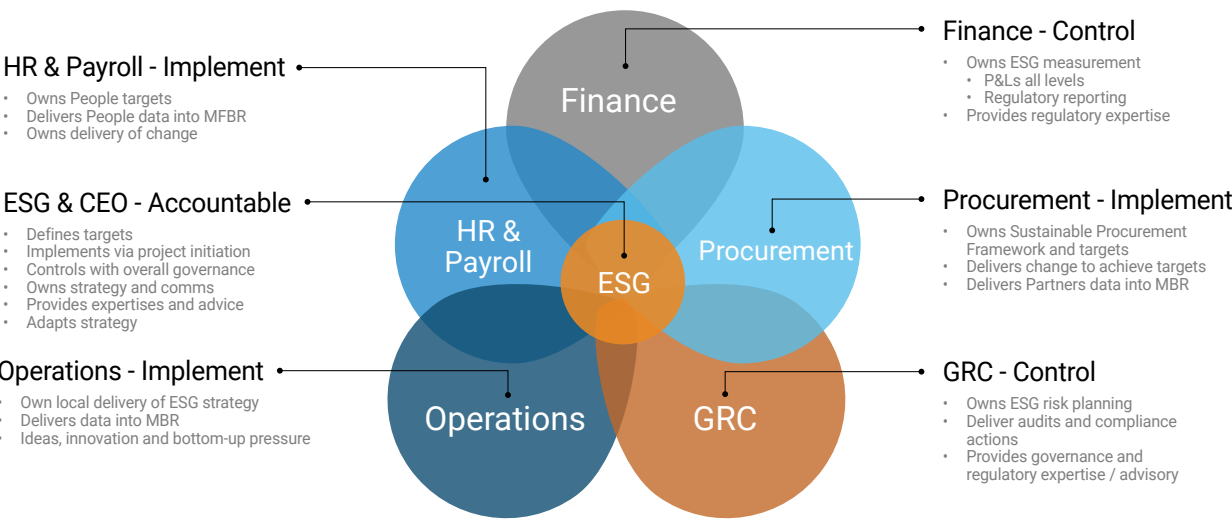
Our stakeholders rely on us to deliver sustainable solutions across the lifecycle of our products and services. We need to adopt a lifecycle ESG analysis that involves all our stakeholders. To tackle these challenges, we have aligned our ESG strategy to the United Nations Sustainable Development Goals (SDGs) and used them to help develop our roadmaps.

## Roles and responsibilities for ESG

The CEO has overall responsibility for oversight on climate-related risks and opportunities. Accountability and responsibility for ESG is assigned to regional CEOs, supported by their ESG or sustainability leads. Each region is responsible for setting its ESG targets, metrics and programmes, driven by the risks and opportunities relevant to their regions. The regional boards, supported by their sustainability lead, review climate-related risks and opportunities and integrate them into business strategy, goals and decision-making. Risks and opportunities are reviewed by the Boards at minimum annually, however, risks and opportunities will be reviewed by the Boards as and when they arise as part of their monthly board meetings.

In 2021 our CEO brought together the ESG and sustainability leads from each region to create the Paragon Sustainability Team. The team has created a common approach to ESG and climate-related risks and opportunities across our regions, while also ensuring targets and programmes remain relevant at local levels. The team meets monthly with the chief operating officer of Grenadier Holdings to provide updates on progress, guide ESG strategy, and share successes and challenges across the regions.

The team undertook climate-related risk assessment to provide the Board with consolidated risk and opportunity data, while providing regional CEOs and leadership teams with climate-related risk and opportunity data for their regions. This was the first consolidated and coordinated Group-wide climate-related assessment and will be reviewed on minimum annually.



Note: Diagram showing the model of interdependency for the delivery of Paragon's ESG Strategy.

## STRATEGY

### Time horizons

Paragon recognises the risk that climate change poses to our business model and those of our clients. Our long-term planning regarding our facilities and our product and service offering does not extend beyond 10 years. This approach lets us adapt to market and regulatory requirements, while developing strategies to address the impacts of climate change on our activities.

Time horizon	Justification
Short term: 0 to 2 years	The business conducts operational and financial planning over a one-to-two-year timeframe. Criteria for expenditure projects generally work to a two-year return on investment. This lets us prioritise projects that will return short-term gains for the business.
Medium term: 2 to 5 years	The business conducts strategic and capital planning over a two-to-five-year period. It has a strategic ambition to double its turnover every three years and has a number of strategies in place, including mergers and acquisitions. This activity tends to be planned around the medium term. This also aligns with the average client contract term of three years.
Long term: 5 to 12 years	The business is growing rapidly through mergers and acquisitions and 12 years is a realistic long-term planning target for growth. It also aligns with the average lease term on our sites and reflects the timescales in which changes to our facilities can be made. This also aligns with our most aggressive Carbon Net Zero target of 2035 set in UK, Ireland and Luxembourg.
Beyond 10 years to 2050	All governments in our regions have set legally binding targets to reach Net Zero by 2050 and the IPPC SSP1-1.9 scenario of a 1.5°C rise by 2050, which we have used for our scenario analysis, fits with the useful lives of some of Paragon's assets of 10-40 years.



Risk definitions

Paragon considers the climate-related risks and opportunities associated with the products and services we provide, including mergers and acquisitions, research and development, cost of sales and technological changes, when considering strategic plans. Operational risk is also considered, as failure to properly address climate-related risks can lead to a substantive impact on the business’ ability to operate.

The Paragon definition of substantive risk is based on the following areas:

Risk category	Description
Income risk	Loss of revenue from failure to win or retain clients, and the changing scope of market requirements because of stakeholder engagement with climate-related risks and opportunities.
Expenditure risk	Increased operating costs are likely to erode our profit margins. This can result from a single factor changing, such as the rise in energy costs or a combination of multiple increases related to climate change that will impact our profitability and economic sustainability.
Asset/investment risk	Paragon has a culture of rapid growth through acquisition and product innovation. Activities that increase carbon emissions by more than 5% within a financial reporting year, such as acquisitions, new product offerings and change in activity, are considered to have a substantive impact on our Sustainability Ambition and Carbon Net Zero Plan.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The risks and opportunities posed by climate change are driving Paragon to integrate this issue into our business strategy and planning. We are working to harmonise our frameworks across our regions and fully integrate them into our business planning and day-to-day activities.

Paragon’s Sustainability Team has undertaken analysis of our stakeholder requirements to assess the risk of climate change on our operations, revenue and product offering. Historically, this has focused on the impact of regulations and global initiatives, such as the UN SDGs, client requirements, and the associated financial risks and opportunities.

During this financial year, we have extended this analysis to include qualitative and quantitative factors affecting our business. A range of material risks and scenarios have been assessed that are now helping to guide our future disclosures, planning and strategy.

Risk assessment has been undertaken by the Sustainability Leads from across our regions using a common set of risk factors and scenarios. These have been assessed at regional level and then aggregated for Group-level disclosure. The analysis lets our regional leadership teams focus on local delivery of climate-related targets and opportunities. This activity was undertaken at the end of the financial year and will be reviewed and expanded where appropriate annually.

The risk and opportunity assessments include the following systems and processes:

Annual assessment of client requirements – client and stakeholder requirements are changing rapidly with regards to climate change. Our clients are one of our main stakeholders and Paragon needs to ensure we are providing solutions that support our clients’ ESG goals.

The top 20 clients by revenue for each region are assessed annually by the Sustainability Leads, supported by sales and bids teams, to determine the following:

- Material ESG themes
- Client Net Zero commitments, including Scope 3 targets that extend to their supply chain
- Revenue at risk should Paragon not meet clients’ ESG requirements

The Sales and Marketing Teams also analyse client requirements to ensure we continue to provide a product and service portfolio that meets market requirements. This includes analysis of our clients’ drive to digital communication strategies, which is driven by cost and climate-related factors. This analysis helps drive our ESG strategy.

Regulatory and legislative review – Paragon is subject to multiple regulatory requirements relating to climate change. As part of our ISO 14001 certified environmental management system, the Governance Teams in each region undertake regular assessment of current and emerging legislation. We closely monitor and assess risks associated with any changes through their inclusion in our legal compliance process. This process assesses the applicability of legislative and regulatory requirements to our locations and activities, and provides the framework to implement the operational requirements, reporting frameworks and compliance status. Reviews are undertaken quarterly as a minimum. The estimated cost of operational changes required by legislation is assessed to determine regulations that are likely to have a material impact on the business.

Physical risk assessment – Paragon has over 60 locations across Europe. As part of our ISO 14001 certified environmental management system, the regional Governance teams undertake annual assessments of chronic and acute physical risks such as flood, fire, rising temperature and sea level rise on physical assets and operational impact.

- This includes:
- Risk of localised fluvial and coastal flooding
  - Impact of rising sea levels on our physical assets
  - Impact of rising temperatures on operational costs

Paragon is aware that we have work to do to integrate ESG and climate-related risk assessments fully into our core business strategy and frameworks.

This report is our first public disclosure of climate-related risks, and Paragon is fully committed to developing our risk assessment framework to include the following factors:

- Impact on cost and availability of raw materials
- Impact on rental increases resulting from climate-related regulations (such as improved EPC ratings)
- Impact on staff including health (sickness rates), and our people satisfaction and attrition rates
- Analysis of maintenance costs and the impact of climate change (regulatory and physical)

CLIMATE RESILIENCE AND SCENARIO PLANNING

Paragon has made good progress in measuring our climate change impacts, setting targets and implementing strategies. We have completed our first climate scenario planning using IPPC scenarios and a mix of quantitative and qualitative analysis.

For our first year of reporting, we have selected scenarios and climate-related risks that are most material to our business and its stakeholders.

The *IPPC Report 2023* makes it clear that the global temperature is expected to hit 1.5°C above pre-industrial levels by the mid-2030s, regardless of the level of mitigation implemented.

Scenario analysis has been completed using risk factors against the IPPC scenarios listed below, considering the impact on our business up to 2035. The IPPC scenarios have been selected as they capture a wide range of environmental and socio-economic factors that will impact climate change up to the end of the century. This will allow Paragon to expand and mature our risk and opportunity analysis over the forthcoming years to include a wider range of climate-related factors.

Our analysis considers the impact on our business up to 2035. This year has been selected for our first year’s analysis as it aligns with the majority of our long-term business planning and our most aggressive Carbon Net Zero target of 2035 in UKIL.

**Scenario: 1.5°C 2050 SSP1-1.9** – The IPCC’s most optimistic scenario, this describes a world where global CO<sub>2</sub> emissions are cut to net zero around 2050, keeping global warming to around 1.5°C above pre-industrial temperatures.



CLIMATE RESILIENCE AND SCENARIO PLANNING  
(CONTINUED)

**Scenario: 1.8°C by 2100 SSP-2.6** – Global CO<sub>2</sub> emissions are cut severely, but not as fast, reaching net zero after 2050. It imagines the same socioeconomic shifts towards sustainability as SSP1-1.9, but temperatures stabilise around 1.8C above pre-industrial temperatures.

**Scenario: 2.7°C by 2100 SSP2-4.5** – CO<sub>2</sub> emissions hover around current levels before starting to fall mid-century, but do not reach net zero by 2100. In this scenario, temperatures rise 2.7C by the end of the century.

**Scenario: 3.6°C by 2100 SSP3-7.0** – Emissions and temperatures rise steadily and CO<sub>2</sub> emissions roughly double from current levels by 2100. By the end of the century, average temperatures have risen by 3.6C.

OPPORTUNITIES

Where there is risk, there is also great opportunity to adapt and thrive, to help everyone achieve more, while improving our world. One way would be to change to active voice: We have considered the opportunities for each risk type and the opportunity's maturity.

Risk type	Time horizon	Risk factor	Risk impact
<b>Transitional: Current and emerging regulation</b>	Short Medium Long	Expenditure Income Investment	<p>While the increasing amount of regulatory change is likely to increase operating costs, the majority of the changes are not deemed to pose a material risk. However, a regulatory breach could have a significant impact on our reputation. This risk is described in the Reputation section below.</p> <p>Carbon tax:</p> <p>All governments within our areas of operation are committed to Carbon Net Zero by 2050. The most likely method of driving behaviour change is the application of a carbon tax across businesses' Scope 1 and 2 emissions in the next five to 10 years. Paragon has considered the financial impact and risk to the business from a potential carbon tax in the lead up to 2035.</p> <p>A carbon tax of £100 per tonne of carbon on our Scope 1 and 2 emissions is likely to add an approximate 8% increase to the cost of energy in the next five to ten years. Estimated financial impact by 2033: £1,346,000.</p>
<b>Scenario analysis</b> <p>In terms of scenario analysis, the higher the expected temperature scenario, the higher the carbon tax applied. Scope 1 and 2 carbon emissions for the reporting year have been used to generate the potential cost of carbon tax at different price points:</p> <p>Carbon tax is already in place across a number of countries and industries within the UK and EU, with Denmark introducing the highest carbon tax in Europe for companies participating in EUETS. Although this does not currently impact Paragon, we have assumed that the roll out of a carbon tax to all large corporate organisations will be a likely tool our governments will use to drive carbon reduction.</p> <p>£100 per tonne = £1.3m, £200 per tonne = £2.7m , £300 per tonne = £4m, £400 per tonne = £5.4m</p> <b>Response/Resilience: Carbon tax</b> <p>All regions have robust processes to identify and review current and emerging legislation and to assess the cost and operational changes required to ensure our compliance. The business has not yet integrated the potential cost of a carbon tax into our financial planning because there is no date announced by our governments. However, in preparation for a future carbon tax, we have started to include the analysis of avoided cost into large-scale CAPEX projects, such as investment in renewable energy generation.</p>			
<b>Transitional: Market</b>	Medium Long	Income	<p>Not addressing climate change is a threat to winning and retaining business and our market share. Climate change is also an opportunity ,and the business considers the delivery of climate reduction as part of our R&amp;D activity. This includes development of product-level carbon measurement and management tools to help clients reduce the carbon footprint of their communication strategies.</p> <p>At least 40% of our client revenue has Carbon Net Zero programmes that extend to their supply chain. Clients are setting the expectation that supply partners will find it difficult to compete within three to five years if a Net Zero Plan is not in place. Client revenue at risk was estimated by examining the public commitments of our top 20 clients by revenue for each region.</p> <p>An estimated 80% of RFPs and tenders completed in the reporting year had requirements and questions related to climate change and other main sustainability topics.</p>

Risk type	Time horizon	Risk factor	Risk impact
<b>Scenario analysis</b> <p>Currently, a minimum of 40% of client revenue has a Carbon Net Zero target that extends to their supply chain. Forward-thinking clients are driving change regardless of political will and legislation. Based on the increase in client requirements over the last two years, we will assume that the percentage of clients requiring Paragon to have a Carbon Net Zero Plan will increase year on year to 2035, and that the requirement will accelerate with every °C of temperature rise, because accelerated action is needed to mitigate the impacts of climate change.</p> <p>1.5°C – 50% contracted revenue requiring Net Zero Plan 1.8°C – 60% contracted revenue requiring Net Zero Plan 2.7°C – 70% contracted revenue requiring Net Zero Plan 3.6°C – 80% contracted revenue requiring Net Zero Plan</p>			
<b>Response/Resilience</b> <p>By 2024, all Paragon regions will have Carbon Net Zero targets aligned with the Science Based Targets Initiative and we are developing annual carbon emissions reporting using the GHG Protocol.</p> <p>Paragon consistently scores well on client assessments, tender responses and engagements. In various regions, Paragon has been invited to speak at client forums about our Carbon Net Zero progress and a range of other ESG programmes. Paragon is well prepared as a key partner to our clients to provide support to reduce our joint value chain and Scope 3 emissions through our specialised products and services, including our lifecycle Carbon Calculator.</p>			
<b>Opportunities</b> <p>Strong ESG and climate-related credentials can be a deciding factor in winning work. We are seeing an increased weighting being placed on climate change responses in the tender process, particularly within the public sector in the UK. We have not yet calculated the value or impact of this opportunity, but are seeing the trend for strong climate-related credentials embedded into most tenders and RFPs.</p>			
<b>Transitional: Reputation</b>	Short Medium Long	Income investment	<p>Reputational risk associated with damage to our brand through legislative breach, misleading 'green' claims and poor governance around climate change could damage our ability to attract and retain our clients. Most client contracts have clauses allowing them to exit if there are serious regulatory breaches.</p> <p>Completion of platforms such as CDP, EcoVadis and SEDEX help demonstrate our commitment to tackling climate change and improve our reputation.</p> <p>Our reputation is also crucial in attracting and retaining the best talent. Deloitte's 12th edition of its Gen Z and Millennial survey states that these groups make decisions based on their values and want to be empowered to drive change.</p> <p>Approximately 90 clients require that we complete external ESG assessment platforms. This represents around 20% of our client revenue.</p>
<b>Scenario analysis</b> <p>Currently, 90 clients require the completion of an external ESG-related platform. With every °C temperature rise, we expect our clients to accelerate the requirements for external portal completion as they implement more stringent action to mitigate the impacts of climate change. The estimates below have been projected based on the increase in client requirements for completion of public disclosure platforms over the last two years.</p> <p>1.5°C – 25% of revenue requiring public disclosure 1.8°C – 30% of revenue requiring public disclosure 2.7°C – 40% of revenue requiring public disclosure 3.6°C –50% of revenue requiring public disclosure</p>			
<b>Response/Resilience</b> <p>Paragon performs consistently well in public disclosure platforms, scoring a minimum of Gold rated across our regions on EcoVadis, and B- for our UK 2022 CDP submission.</p> <p>Paragon uses these external platforms, along with other stakeholder analysis, to identify gaps in our current strategies and frameworks, implement best industry practice, and as a marketing tool to highlight our ESG credentials to interested parties. The external scrutiny from these assessments drives us to improve our ESG programmes year on year, as the scope of the portal topics and metrics expands to reflect the latest ESG thought leadership, risk factors and best practice.</p>			
<b>Opportunities</b> <p>External portals and assessments constantly push us to ensure that we are well informed on the fast-paced changes in sustainability thought leadership, best practice, risk identification and target setting. This lets us continually develop our ESG strategies, which benefits the business through increased client and employee attraction and retention, and our global and local environments and communities.</p>			



CLIMATE RESILIENCE AND SCENARIO PLANNING  
(CONTINUED)

Risk type	Time horizon	Risk factor	Risk impact
Transitional: Technology	Medium Long	Income Investment	<p>Paragon's clients operate in a broad variety of sectors.</p> <p>Our historical business model has focused on printed communications. Many of these sectors have digital conversion strategies to move their end consumers from printed paper communications to digital alternatives. This shift is partially driven by the commitment to deliver carbon savings and more sustainable options for their customer base.</p> <p>Paragon has mitigated this risk by developing digital communication product offerings and developing the technology to integrate client communication platforms. However, the move away from printed communications presents a risk to the revenue streams for our production locations.</p> <p>Paragon estimates that approximately 6-10% of our client revenue is at risk from the transition to digital communications.</p> <p>This was estimated by examining the % of contracted work within UKIL with a strategy to migrate their end customers to a digital communication journey. This was used to calculate an approximate value of revenue at risk.</p>
<p><b>Scenario analysis:</b> Technology presents an opportunity to reduce climate-related risk through:</p> <ul style="list-style-type: none"><li>Investment in renewable energy generation</li><li>Energy and carbon reduction upgrades to production and facilities</li><li>Product offerings for clients to reduce value chain carbon emissions</li></ul> <p>We expect the technological landscape to develop rapidly in the next 10 years, both in terms of innovation and affordability. This will bring the opportunity to accelerate our climate change mitigation and business growth. In 2024, we will undertake scenario analysis to find out the risk and opportunity from emerging technology regarding product innovation and climate mitigation.</p> <p><b>Opportunities</b></p> <p>Decentralised, low carbon energy supply:</p> <p>The business has recognised that to reduce our Scope 1 and 2 carbon emissions we need to investigate the feasibility for renewable energy generation at our sites or in partnership with renewable providers. This will provide the opportunity not just to reduce our carbon emissions in line with our net zero targets, but also future-proof our business against possible energy supply issues, rising energy costs, and avoidance of future carbon tax costs.</p> <p>This is estimated at £1m of investment per 2GW of electricity to enable the generation of renewable electricity for the business, which will deliver close to zero Scope 2 carbon emissions. Total electricity consumption across our locations is approximately 40GW for the reporting year, and therefore the potential investment is £20m. It is estimated that generation of renewable energy would decrease annual spend on electricity by around £9m in the next 5-10 years, resulting in a payback of just over two years.</p> <p>There are a number of local renewable programmes in flight including:</p> <ul style="list-style-type: none"><li>Solar at multiple locations (implementation expected between 2024 and 2026)</li><li>Private wire network at one UK location (implementation expected 2024)</li><li>Hydropower at one French location (implementation expected 2025)</li></ul>			

CLIMATE RESILIENCE AND SCENARIO PLANNING  
(CONTINUED)

Risk type	Time horizon	Risk factor	Risk impact
<p><b>Technology – Development of new products and services</b></p> <p>Paragon invests in supporting products and services that help our client base to achieve their ESG and net zero goals and ambitions.</p> <p><b>Product level lifecycle Carbon Calculator</b></p> <p>Paragon's clients have ambitious Carbon Net Zero targets and we are part of their Scope 3 emissions.</p> <p>Obtaining accurate data to calculate Scope 3 carbon emissions is challenging for all businesses. Providing measurement and reduction capabilities at a product level lets Paragon deepen our relationship with our client partners, while securing a competitive advantage by helping them to achieve their goals. Paragon designed, developed and launched a carbon calculator to provide our clients with greater transparency of the carbon emissions associated with the products and services they buy from us.</p> <p>This data enables Paragon and our clients to make more informed, responsible decisions that align with our business goals and compulsory targets. It also provides a means of tracking progress as we all work towards Carbon Net Zero. This technology is live and in use across our UKIL business in 2023.</p> <p><b>Technology: Resource efficiency</b></p> <p>Energy spend has already risen from around £3.6m to over £20m per year in the period from July 2020 to July 2023. Energy prices are forecast to continue to rise. In the next 5-10 years, we can expect the cost of energy prices and carbon tax to exceed £30m per year towards the end of the decade. Reducing energy consumption across our locations is an important part of our Carbon Net Plan for Scope 1 and 2 reductions, and also an opportunity to reduce operating costs across the business. The business identifies energy and carbon savings opportunities across our Scope 1 and 2 emissions through our ISO 50001 and ISO 14001 certified management systems.</p>			
Physical: Acute Physical	Short Medium Long	Expenditure	<p>Health and safety of our workforce, disruption of upstream and downstream deliveries, physical damage to our assets, would impact our ability to deliver our products and services. An extreme event could render multiple production locations inoperable and result in invocation of our Disaster Recovery protocol.</p> <p>The impacts of local extreme weather could affect any of our locations. However, flooding from local rivers and coastal storm surges is the most likely cause of major damage to our facilities and risk to our workforce. There are two Paragon locations situated on the flood plain of large rivers.</p> <p>While insurance covers the cost of damage to physical locations, increased extreme weather events are likely to increase the cost of global insurance by 22% by 2040. (<a href="https://www.theactuary.com/news/2021/09/15/property-insurance-premiums-soar-due-climate-change">www.theactuary.com/news/2021/09/15/property-insurance-premiums-soar-due-climate-change</a>).</p>



Risk type	Time horizon	Risk factor	Risk impact
<b>Scenario analysis</b>			
<p>A 1.5°C temperature increase is expected by the mid-2030s, regardless of any mitigation taken now (<i>IPPC Climate Change 2023 Synthesis Report</i>). It is expected that this will increase the frequency of extreme weather events, including localised flooding and precipitation. The majority of Paragon's strategic planning does not extend beyond 2035, which represents the limit of Paragon's long-term risk scenario planning, so the same scenario of a temperature increase of 1.5°C by 2035 was considered for all four temperature increase scenarios.</p>			
<b>Response/Resilience</b>			
<p>In any emergency, Paragon's primary concern is the safety and wellbeing of its people. All locations have emergency plans in place and regular evacuation tests. All sites are well equipped for small-scale localised flooding, with emergency kits and processes to respond to low-level events.</p> <p>Should a wide-scale flood event impact a wider area in our local vicinity, Paragon would follow our own emergency procedures and the advice and guidance of the local authorities, law enforcement agencies and government. Paragon has comprehensive Business Continuity Plans in place if there's a site closure.</p> <p>Adverse weather has already disrupted the ability of our people to travel and deliveries of raw material and products, and localised extreme rain has caused small-scale flooding. During the next reporting year, Paragon will log all weather-related events that cause operational disruption affecting our ability to deliver our products and services.</p>			
<b>Response/Resilience (continued)</b>			
<p>During the 2023/2024 reporting year, Paragon will build flood risk assessment and extreme weather event analysis into all the following processes:</p> <ul style="list-style-type: none"><li>• Building lease renewals and new site plans</li><li>• Mergers and acquisition activity</li><li>• Annual facilities risk assessments</li></ul>			
<b>Physical: Chronic Physical</b>	Medium Long	Expenditure	<p>The IPCC 2023 report explains that global temperature rise will hit 1.5°C by the mid 2030s regardless of any action taken from now. We can expect prolonged heatwaves, sea-level rise, loss of species and biodiversity, and disruption to global transport and supply chains.</p> <p>Risk to locations: This level of temperature rise is likely to result in a 10-16cm sea level rise across Europe. The NASA sea level tool was used to map regions below 0.1m above sea level, and it was assumed that any sites located within these areas could be at risk of flooding as a result of sea-level rise. In the UK, two sites are located less than 0.1m above sea level, with a further two locations close to potential areas of risk.</p> <p>Impact on operating costs: An increased temperature will result in an increased requirement for cooling. Paragon has estimated an increase in energy use of 10% from extra cooling, and an estimated 30 locations may require upgraded cooling equipment by 2035.</p> <p>Supply chain operations: temperature rise and political instability are likely to affect the cost and availability of our raw materials and energy. Paragon has not yet assessed the impact on our business.</p>
<b>Scenario analysis</b>			
<p>The <i>IPPC Climate Change 2023 Synthesis Report</i> highlights that with each °C of temperature rise, we will experience prolonged periods of extreme heat, creating an additional requirement for energy for cooling our locations and equipment. Paragon's long-term planning and risk assessment time scale is 10 years, and for this reason only the 1.5°C scenario has been modelled for temperature rise.</p>			
<b>Response/Resilience</b>			
<p>Paragon leases the majority of our locations. Our preferred lease term is 10 years to allow us to react to the following conditions:</p> <ul style="list-style-type: none"><li>• Market requirement for products and services</li><li>• Climate-related and other location-related risk factors</li></ul> <p>This will allow us to consider the chronic physical risks from rising sea levels and temperature increases as part of our decision-making process for lease renewals.</p> <p>Rising sea levels have been a risk factor for the BENE region for many years and it is addressed by national governments in the region through investment in flood defences and building resilience. Paragon's locations in this region are well prepared for the impact of localised flooding in terms of emergency response plans. The cost for a long-term planned relocation to an alternative site has not been assessed, but is likely to cause significant upheaval, planning and complex liaison with all stakeholders.</p> <p>The impact of climate change on our supply chain's ability to operate and supply goods and services will be assessed during 2024–2025.</p>			

Metrics and targets

Completion of external ESG-related platforms is a market requirement and, as such, both a risk and opportunity for our business. We use these platforms to measure and maintain our performance and identify ESG trends and thought leadership. Our scores and compliance for the requirements of these platforms is a KPI for managing our climate-related market risks.



The table below shows the status of our regions for various external ESG platforms:

Platform	BENE status	DACH & CEE status	UKIL status	Western Europe status
EcoVadis	Gold Target: maintain Gold	Gold Target: maintain Gold	Gold Target: maintain Gold	Gold Target: maintain Gold
CDP (Carbon Disclosure Project)	Not currently required	Not currently required	B- A- by 2025	Not currently required
SBTI (Science Based Targets Initiative)	Not currently required	Not currently required	Committed Targets to be submitted by 2025	Committed Target approved
UN Global Compact	Not currently required	Committed	Not currently required	Not currently required

Historically, climate-related reporting has been addressed separately from our core business strategy and review processes. As we mature in our approach, Paragon will integrate climate-related reporting and measures of success into our business performance metrics, targets and risk management frameworks.

Carbon Net Zero is the most commonly mentioned ESG-related topic by our stakeholders from a market and regulatory risk and opportunity perspective and will be critical in limiting the impacts of climate change and global warming to 1.5°C. Therefore, carbon emissions is Paragon's primary metric for measuring our impact and progress in managing and reducing our climate-related risks.

Paragon has used the GHG Protocol to develop our carbon emissions reporting across our regions. We are on a journey to accurate emissions calculations, alongside the setting of Carbon Net Zero targets across the regions.

All regions are working on developing the frameworks to measure and report their carbon emissions, and set carbon net zero targets as part of their ESG strategies. The table below details the overall carbon emissions for the regions and the measurement status. All regions are working to fill the gaps in their carbon reporting to ensure relevant categories are included for the end of the next reporting year.

Scope	Category	Total tonnes CO <sub>2</sub> e	BENE status	DACH & CEE status	UKIL status	Western Europe status
Scope 1	Natural gas	5,278	Not yet calculated	Not yet calculated	2,285	1,500
Scope 2	Electricity (Grid emissions)	7,634	Not yet calculated	Not yet calculated	6,712	529
Scope 3	Upstream emissions	121,120	Not yet calculated	Not yet calculated	74,681 All relevant categories included	49,368 All relevant categories included
Scope 3	Downstream emissions	64,364	Not yet calculated	Not yet calculated	64,240 All relevant categories included	124 (minimal relevant categories included)

Scope	Category	Total tonnes CO <sub>2</sub> e	BENE status tonnes CO <sub>2</sub> e	DACH & CEE status CO <sub>2</sub> e	UKIL status CO <sub>2</sub> e	Western Europe status CO <sub>2</sub> e
1	Natural Gas	3,461	Not yet calculated	Not yet calculated	1,961	1,500
2	Electricity (Grid emissions)	7,341	Not yet calculated	Not yet calculated	6,712	529
3	Cat 1 – Purchased goods and services	105,996	To be calculated in 2024	To be calculated in 2024	67,973	38,023
	Cat 2 – Capital goods	305	To be calculated in 2024	To be calculated in 2024	To be calculated in 2024	305
	Cat 3 – Fuel and energy-related services	3,328	To be calculated in 2024	To be calculated in 2024	2,774	554
	Cat 4 – Upstream transportation and distribution	9,530	Not relevant	To be calculated in 2024	Not relevant	9,530
	Cat 5 – Waste generated in operations	416	To be calculated in 2024	To be calculated in 2024	215	201
	Cat 6 – Business travel	1,083	To be calculated in 2024	To be calculated in 2024	1,080	3
	Cat 7 – Employee commuting	4,542	To be calculated in 2024	To be calculated in 2024	3,790	752
	Cat 8 – Upstream leased assets	2,389	To be calculated in 2024	To be calculated in 2024	2,389	To be calculated in 2024
	CAT 9 – Downstream transportation and distribution	51,308	To be calculated in 2024	To be calculated in 2024	51,308	To be calculated in 2024
	Cat 12 – End-of-life treatment	12,708	To be calculated in 2024	To be calculated in 2024	12,583	125
	Cat 15 – investments	17	To be calculated in 2024	To be calculated in 2024	17	To be calculated in 2024

Cat 10 – Processing of sold goods, Cat 13 – Downstream leased assets and Cat 14- Franchises are not relevant to our activities.

Carbon emissions methodology

The methodology used for calculating Paragon's carbon emissions uses the Greenhouse Gas Protocol: Corporate and Accounting Standard (revised 2004, further amended 2013).

The organisational boundary established in 'operational control' ensures that emissions reported comprise all the activities and assets under Paragon's direct control.

Scope 1 – Gas use. Gas use is taken from a combination of meter readings and energy bills then multiplied by the regional government-issued GHG conversion factor.

Scope 2 – Electricity. Scope 2 emissions result from the consumption of electricity at our locations. All electricity to our locations is supplied through the national grid in the countries in which we operate. Electricity usage data is provided by our energy management company, and kWh of electricity are multiplied by the relevant government-issued GHG conversion factor.

Scope 3 – Cat 1 Purchased goods and services, Cat 2 – Capital goods, Cat 8 – Upstream leased assets, Cat 9 – Downstream transportation & distribution and Cat 15 Investments. Calculated based on a combination of product lifecycle emissions calculations provided by supply partners, and Extended Environmental Input Output (EEIO) analysis based on supply chain spend.

Scope 3 – Cat 3 Fuel and energy related services. Energy use figures provided through energy suppliers are multiplied by relevant regional government-supplied GHG conversion factors.

Scope 3 – Cat 5 Waste generated in operations. The weight of each waste stream is measured by our waste contractors. The total weight in tonnes of each waste stream is multiplied by the relevant government-issued GHG conversion factors for each waste stream and end-of-life treatment.

Scope 3 – Cat 6 Business travel. Business travel is calculated using a number of different methods using data from our expenses system. The report details the method of travel/expense type and emissions are calculated using the most relevant regional government-issued GHG conversion factors.

Scope 3 – Cat 7 Employee commuting. Emissions calculated using responses from a staff commuting survey using government-issued GHG factors for relevant modes of transport.

Scope 3 – Cat 12 End-of-life treatment. Relevant regional government-issued GHG factors for waste treatment were multiplied by the tonnes of our primary raw material (paper) consumed. This assumes that the raw material used will be disposed of by the end consumer.



CARBON NET ZERO COMMITMENTS

Carbon Net Zero was identified as a primary area of interest from our stakeholder analysis and Paragon is committed to setting Carbon Net Zero targets across our regions that are relevant and material to the activities and stakeholders locally.

Details of each region’s Carbon Net Zero targets, programmes and progress are published in regional ESG/ Sustainability Reports, and are summarised below:

Region	Near-term target	Long-term targets	Progress against baseline year
BENE Baseline period: 2022/23 financial year	50% reduction by 2030 across Scope 1, 2 and 3	To be determined by 2024	First year of measurement
DACH & CEE Baseline period: 2022/23 financial year"	40% reduction in Scope 1 and 2 by 2035	Carbon Net Zero by 2045 across Scope 1, 2 and 3	First year of measurement
UKIL Baseline period: 2019/20 financial year	Scope 1 & 2: 90% reduction by 2030 Scope 3: 50% reduction by 2030	Scope 3: 90% reduction by 2035	Currently tracking: 21% reduction in Scope 1 22% reduction in Scope 2 3% reduction in Scope 3 Against a baseline of 2019/20 financial year.
W.EUROPE Baseline period: 2020/21 financial year"	Reduce Scope 1, 2 and 3 emissions by 5% year on year	Scope 1, 2 and 3: 90% reduction by 2050	Not yet reported

SUMMARY

The risks and opportunities posed by climate change on our business model, combined with the rapidly evolving ESG requirements from multiple stakeholders, is driving Paragon to integrate climate change into our business strategy and planning.

Paragon welcomes the regulatory and legislative frameworks that are driving increased transparency around ESG disclosure and is committed to communicating transparently on our climate-related risk, impacts and targets. We also recognise that we have more work to do to fully understand those risks and impacts.

Paragon is fully committed to ensuring we play our part in solving climate change, rather than contributing to it. We are also very aware that we do not have all the answers and are focused on exploring collaboration and innovation with our stakeholders to reduce our value chain carbon emissions.

Over the next 24 months, Paragon is committed to fully integrating ESG and climate-related risk into our core business strategy, risk profiling, reporting and resilience planning.





A large white offshore wind turbine dominates the left side of the frame, with its three blades extending across the sky. In the distance, another similar turbine is visible on the horizon over a vast, calm blue sea under a clear sky. The number '06' is overlaid in large white font on the right side of the image.

# 06

## **STREAMLINED ENERGY AND CARBON REPORTING (SECR)**



# STREAMLINED ENERGY AND CARBON REPORTING – PARAGON 2022/23

Paragon is 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

Paragon consists of multiple subsidiary companies across the globe. The scope of this report covers all Paragon legal entities that are registered and located 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 and operated transport)
- Fuel consumed (staff business travel)
- Electricity consumed

The reporting period will track the financial year of 1 July in any given year to 30 June of the preceding year. The current reporting period is 1 July 2022 to 30 June 2023. Only legal entities and locations in the UK are included in this section of the report, in line with the requirements of the SECR legislation.

Paragon has grown significantly through acquisition and will continue to do so in the future. For this reason, for the purposes of SECR reporting, we will adopt a rolling baseline year of the previous reporting period. The current baseline year for SECR reporting is 1 July 2021 to 30 June 2022. This is in addition to our Carbon Net Zero target outlined in Section 5.

Individual legal entities were assessed to find out the scope of required reporting. Holding companies and dormant companies were excluded from this activity.

## CHANGES IN THE REPORTING PERIOD AFFECTING CARBON EMISSIONS

During the reporting period, Paragon completed several acquisitions and the subsequent restructuring impacted energy use.

### Operational changes

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 equipment and workspace to accommodate this changing scope.

We took the decision to close our Shepshed location and migrate the work to alternative Paragon sites. A fire also destroyed our Leicester site. Most importantly, the building was evacuated safely with no injuries or harm to any our people or our local community. We initiated our Disaster Recovery and Business Continuity frameworks and swiftly implemented solutions to accommodate the affected workload and staff logistics.





METHODOLOGY

We calculated carbon emissions using the Greenhouse Gas Protocol: Corporate and Accounting Standard methodology.

The methods we used for data collection and verification are documented within our supporting evidence, which can be made available on request. Wherever possible, we used 12 months of actual data, covering 1 July 2022 to 30 June 2023. When estimates or projections were used, this has been stated.

ENERGY USE AND CARBON EMISSIONS

Energy use and carbon emissions have been calculated:

	Gas (buildings + forklift) kWh	Fuel (operated transport) kWh	Fuel (staff business travel) kWh	Electricity kWh	Scope 1 and 2 carbon emissions kg CO <sub>2</sub> e
2021/22 Period	11,223,662	1,204,205	308,582	35,538,423	9,260,000
2022/23 Period	12,227,462	1,214,916	470,646	27,290,060	8,997,000

ENERGY INTENSITY RATIO

Paragon has chosen electricity KgCO<sub>2</sub>e per square metre of floor space as its intensity ratio. This method will best reflect the different scope and activity of work across our locations.

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

Paragon Group Division	2021/22 total electricity kg CO <sub>2</sub> e	2021/22 total square metres	2021/22 kg CO <sub>2</sub> e per square metre	2022/23 total electricity kg CO <sub>2</sub> e	2022/23 total square metres	2022/23 kg CO <sub>2</sub> e per square metre
Paragon	6,872,420	107,174	64.49	6,712,000	112,570	59.22

IMPROVEMENT PROGRAMMES

Over the past few years, the business has grown through acquisition. As well as increasing the size of our business, this growth has also expanded our product offering and expanded our supply chain. Our own significant growth has been accompanied by an increase in the importance of sustainability – to people, businesses and governments. Paragon recognises that, as well as the risks facing our planet and our societies, there is also tremendous opportunity to change how we do business and embrace new technologies. They will help us collaborate to deliver the changes necessary to move to a net zero, circular economy and help create a fairer, more equitable society.

Paragon’s ESG strategy is based on four bottom lines of success for our business:

- People
- Planet
- Partners
- Prosperity

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 operations, improvement programmes focus on the following areas:

- Production efficiency – lean manufacturing, kit optimisation and upgrades
- Facilities efficiency – heating, ventilation, air-conditioning, lighting and facilities infrastructure
- Supply chain governance
- Paragon has seen the following reductions since the baseline year:
  - Scope 1 – 21% reduction\*
  - Scope 2 – 22% reduction\*

\*Both subject to external verification.

OBJECTIVES, TARGETS AND FUTURE PLANS

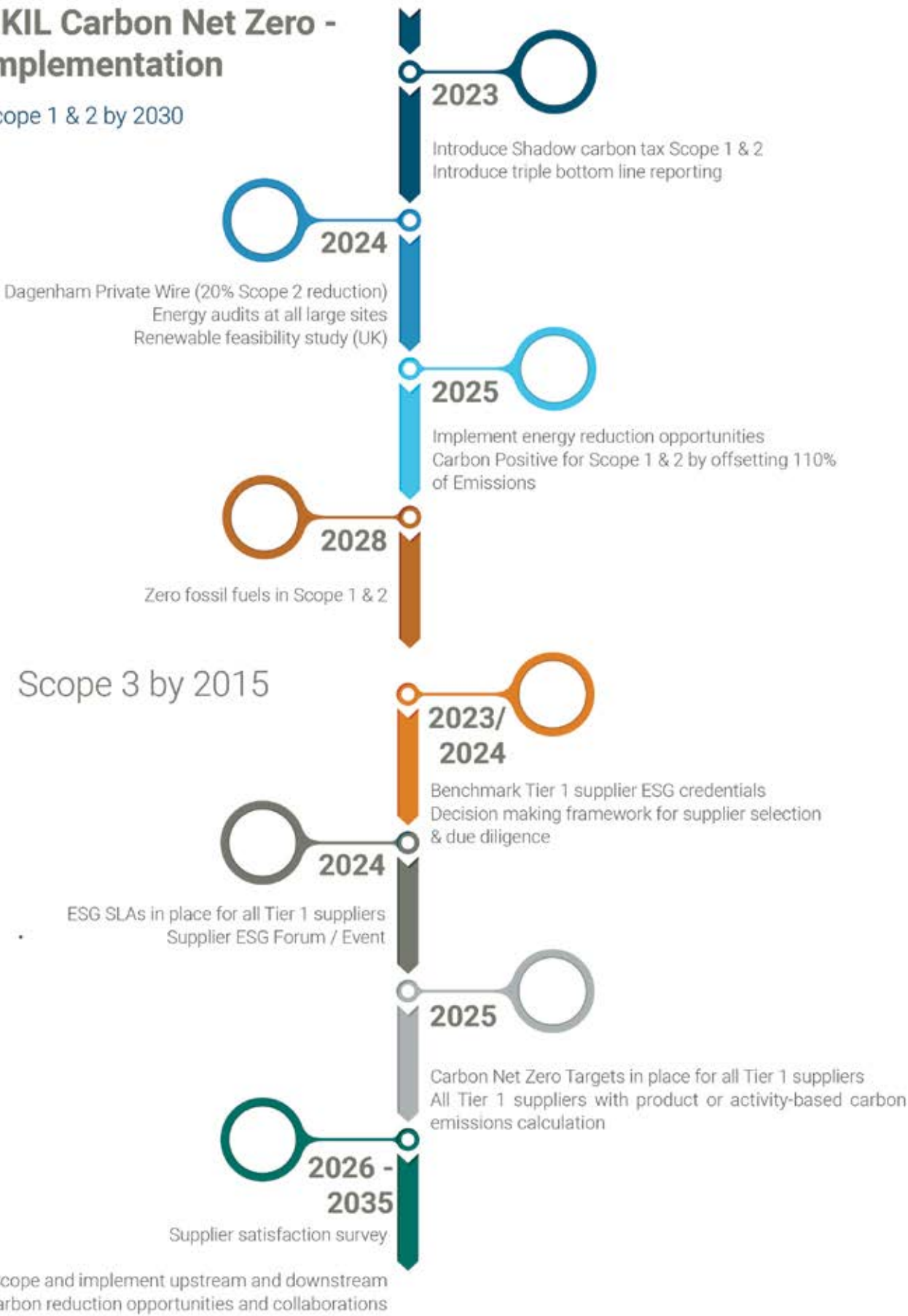
Paragon UK, Ireland and Luxembourg (UKIL) launched its original Net Zero Plan in November 2021. Since then, we recognised that recognised that our net zero target of 2050, while supportive of the UK government’s commitments, did not align with our clients’ goals. It was not ambitious enough to drive the level of innovation, change and collaboration required to help solve the problem of climate change and mitigate the impacts that are already affecting our business operations. Therefore, we launched a new target for the UKIL business of achieving Carbon Net Zero, comprising a 90% reduction in Scope 1, 2 and 3 emissions against a baseline period of 2019/20 financial year.



Our delivery roadmap is outlined below:

UKIL Carbon Net Zero - Implementation

Scope 1 & 2 by 2030



Summary

Achieving carbon net zero is a core driver for our business strategy and planning. Paragon is committed to being a part of the solution in the drive to net zero and the creation of a fairer, more equitable society. We remained committed to our sustainability programmes throughout the challenging business conditions of the last few years.

Paragon reports full details of our ESG programmes and plans in our ESG Report, which can be accessed on our website.

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 is £36m or more
- Balance sheet total is £18m or more
- Number of employees is 250 or more

Entity	In scope of SECR	Included in reporting	Gas (buildings)	Fuel (operated transport)	Fuel (staff business travel)	Electricity
Paragon Customer Communications Ltd	YES	YES	YES	YES	YES	YES
Paragon Customer Communications International Ltd	YES	YES	YES	YES	YES	YES
Devonshire Appointments Ltd	NO	YES	YES	YES	YES	YES
Print Trade Suppliers Ltd	NO	YES	YES	YES	YES	YES
Global Document Systems Ltd	NO	YES	YES	YES	YES	YES
Critical Mail Continuity Services Ltd	NO	YES	YES	YES	YES	YES





07

## OUR PEOPLE





Our people make Paragon unique – nothing this business achieves is possible without the contribution of our colleagues, whatever their role. As we continue to grow, we want to ensure we create a culture that recognises individual needs, so that each person can thrive at Paragon. Not only are we committed to creating a workplace where everyone feels valued and respected, we also want our people to feel they belong.

Strategy

Our people strategy complements our ESG strategy and aims to deliver three main goals:

- 1. To be the employer of choice in all our markets, attracting and retaining the best talent available
- 2. To foster a diverse, equitable, and inclusive workplace that promotes creativity and innovation
- 3. To continuously enhance our people’s skills and capabilities to meet our evolving business needs

The strategy provides a framework and guidance for each of our regions, allowing local adaptation across the company but using standardised measurement and governance. Increased collaboration and sharing of best practices across the regions has delivered great results so far, and we continue to roll out our ‘business partners’ model across all our regions and business lines.

To share some examples of the strategy at work, we’ve highlighted the programmes carried out in our regions.

EMPLOYEE ENGAGEMENT

Employee survey

At Paragon, our people can voice their opinions and provide feedback in many different ways. We use that insight to drive improvement across the organisation, enhance our culture and engagement, and help us attract and retain talent.

One such example is our employee survey. We have rolled out a standardised survey within each region to provide a benchmark for engaging with our people. The survey helps us to understand the employee experience and gives them a voice, while helping to shape the company’s future.

In our Western Europe region, we partner with Great Place To Work to measure and improve staff engagement, and we are delighted that Paragon locations in France and Romania gained Great Place to Work certification in 2023.

Team Up

In 2022, our colleagues in the Netherlands and Belgium introduced the Team-Up programme, in which colleagues spend up to four half-days together to get to know each other better and exchange information about each other’s tasks and work challenges. The programme produced better understanding and cooperation across departments.



Diversity, Equity and Inclusion (DEI)

Paragon’s culture reflects wider changing attitudes towards disability and neurodiversity, and with more awareness and education, we want to celebrate differences and empower everyone.

As a business, we are driving change to improve gender equality by providing opportunities to nurture, mentor, develop and grow our people. We also celebrate different cultures, and by identifying any prejudices and inequalities, we will create an inclusive and equitable culture where everyone can thrive.

We recognise that harnessing our people’s unique experiences, perspectives and viewpoints increases our ability to create a diverse and inclusive company culture.

Last year, we made the decision to recruit a DE&I Lead. 2023 began with the exciting news that we would be welcoming Paulette Bailey, our first dedicated Diversity, Equity and Inclusion (DEI) Lead, into the organisation.

Charta der Vielfalt

In 2022, we signed up to the ‘Charta der Vielfalt’ in our DACH & CEE region. This organisation promotes the recognition, appreciation, and integration of diversity in business culture.

Reverse Mentoring Scheme

We launched the second cohort of our Reverse Mentoring Programme in the UK, Ireland and Luxembourg region in 2023. This six-month programme builds on the success of the first cohort from 2021 and sees the Senior Leadership Team matched with mentors representing minority groups. It provides the opportunity to break down systemic barriers so senior decision-makers can understand the challenges their colleagues face and learn from each other. Here are just a few comments from our Cohort Two mentors:

“Really open discussion regarding our backgrounds, experiences, and shared approach towards how we see people. We created a safe space, confidentially, where we can open up and really discuss individual concerns, worries and challenges.”

“The sense of trust and openness meant it felt safe to talk openly about issues. We had a great rapport and were able to articulate some of the issues and possible responses for certain contexts.”

“We had a fruitful discussion into how we work within the Paragon business, areas for improvement, and better collaboration with colleagues across the business. I was able to discuss my experiences of working with others as an ethnic minority in a workplace that is not the most diverse.”

Paragon Women’s Network

At Paragon we want to celebrate all women across the business, to show that there are no glass ceilings at any level. The Paragon Women’s Network sets out to engage with Paragon’s women across all roles and responsibilities.

The network focuses on four main visions:

- To drive change and improve gender equality, resulting in statistical progress in this area
- A space to talk openly about challenges with other women who have gone through the same or similar challenges, and to create and drive change
- Encourage and celebrate the value and impact women deliver in the workplace
- Provide opportunities to nurture, mentor, develop and grow Paragon Women

Integration

In the past year, we have successfully integrated many new colleagues into Paragon through several acquisitions. In Western Europe, our regional CEO Guilhem Boucon conducted roadshows to meet our new people, welcome them to Paragon and explain why their company was acquired, which has been much appreciated.







## TALENT DEVELOPMENT/ LEARNING & DEVELOPMENT

### European Leadership Development Programme

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

Mentees are assigned a mentor from the Paragon Senior Leadership Team, where they can share and transfer knowledge, skills, and experiences in their small groups.

We have already seen this group develop within Paragon, with two new Senior Leadership Team members in two regions being promoted from the first cohort.

Here are some of the testimonials from the group:

*“The European Leadership Development Programme gave me the opportunity to improve myself, connect and share ideas with other great people working in Paragon.”*

*“A structured and excellent programme with a focus on self-awareness, leadership and Paragon’s goals. Perfect for your own further development.”*

*“Well run and engaging, this programme was a great launchpad for the next phase of my career at Paragon.”*

### Young Paragon Network

Our Young Paragon Network was launched in 2020 across our four regions, with project managers and ambassadors from the Senior Management Team of each region.

Since its launch, Young Paragon learners have worked through six different cycles and 28 different challenges and projects that support our continued growth.

### Paragon Elevate

Paragon Elevate is our internal management development programme in the UK, Ireland and Luxembourg region, which is designed to help support and develop the team leaders, supervisors, and managers across the region. This modular-based programme covers training on Paragon-specific policies as well as personal and professional development, and helps the participants grow and develop within their role.

### Paragon Ignite

Paragon Ignite provides opportunities for people in the local communities in which we operate.

The programme puts candidates through our internal employability programme, which will help them to become a more rounded professional. It includes modules that cover:

- Building self confidence
- Presenting effectively
- Problem solving
- Working in a team

For the last financial year, we brought in 19 candidates via this programme, seven of whom were offered full-time employment with Paragon.

## APPRENTICESHIPS

Paragon continues to support apprenticeships and in our UK, Ireland and Luxembourg region we have recruited 22 apprentices, predominantly school leavers aged between 16 and 25 who study one of the following qualifications:

- Business Administration
- Customer Service
- Creative Digital Design

### Upskill Apprenticeships

Upskill Apprentices are aimed at all Paragon people, giving them the chance to study for a qualification which is directly linked to their role and to helping them develop their career. We currently have 52 Upskill Apprentices working in the business.



## Job fairs

Our HR teams across the regions actively participate in local job fairs to attract new talent to the organisation.

## EMPLOYEE WELLBEING

Employee wellbeing is vital to the success of our business. We are committed to improving awareness, education, support, and conversations around mental and physical health throughout Paragon via training, collaboration, sharing information and experiences.

Here are some examples of the support that our Wellbeing Team in the UK, Ireland and Luxembourg region have put in place:

- 90+ mental health first aiders
- 42 wellbeing ambassadors
- Mental Health Matters newsletter
- 'Happence' wellbeing and resilience platform

Within the Netherlands and Belgium region, we entered into a partnership with OpenUp. OpenUp is a wellbeing platform where our people can go to access one-to-one or group sessions with a psychologist, or participate in mindfulness sessions, self-help programmes and wellbeing masterclasses. Our partnership with OpenUp is already improving employee wellbeing, boosting work performance and easing stress for our people.

## Healthy Days

Our colleagues in the DACH and CEE region are promoting 'Healthy Days', including on-site back checks, sleeping tests for shift workers and stress tests. They even had some fun with the introduction of the 'smoothie bike' (pictured right).

## COMMUNITY AND FUNDRAISING

### Levy giving

Paragon in the UK, Ireland and Luxembourg gives some of its unused Apprenticeship Levy to support other organisations with hiring apprentices.

In the Tax Year 2020/21, we pledged £92,000 and in 2022/23 this increased to £172,000. We gave unused Apprenticeship Levy funds to several organisations

that make a difference in their communities, including:

- South East Coast Ambulance Service NHS Foundation Trust, to enable them to train and support the development of their essential frontline workers
- Norwich City Community Sports Foundation, the official charity partner of Norwich City Football Club. The Foundation uses the levy to hire sport coach apprentices, helping them to widen their reach and drive inclusion for people with disabilities.







# 08

## GOVERNANCE AND COMPLIANCE



The Board is committed to high standards of corporate governance, which it considers 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 we operate, adopt proper standards of business practice and procedure, operate with integrity, and observe and respect the culture of every country in which we do business.

Board leadership and company purpose

The Board has collective responsibility to oversee the operational management of Paragon. In addition, it is responsible for the long-term sustainable success of Paragon and its contribution 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 strategy and organisational development
- The 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 the review and ongoing monitoring of:

- Paragon's long-term business strategy and objectives
- The company's financial reports
- Each acquisition opportunity
- Paragon's principal risks
- Evaluation of the performance and effectiveness of the Board and its directors
- The company's response to Covid-19, including the impact on our people and changes to work practices

The Board sets the risk appetite and evaluates principal risks, and it 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.

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 Paragon.

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 main 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. It 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 accredited quality, risk and ESH framework and quarterly audits to deliver the controls and training programmes to drive compliance at all locations.

Anti-bribery and corruption

Paragon expects its contractors, suppliers, and other business partners to keep high standards in all business practices and to share our zero-tolerance approach to bribery and corruption. We expect suppliers to comply with all relevant laws of the country in which they operate. 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 daily 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 Organisation's recommendations. Our anti-slavery and human trafficking policies apply to all people 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 people, the regulatory compliance of our sites, and the sustainable management of our resources are main 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 people remain safe, injuries are reduced, compliance is sustained, and culture is changed.

Our main 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 our people and for all applicants for employment.

We are committed to ensuring that nobody receives less favourable treatment on the 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 based on 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 colleagues, 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 while recognising our diverse business.

We acknowledge that there are significant challenges in the industries in which we operate, particularly concerning the industrial nature of our business. We will continue to invest in learning, development and training programmes for our people. 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 colleagues who may be experiencing mental health issues of any description. We intend to improve mental health awareness in the organisation, tackle the causes of work-related mental ill health, create a workplace culture where people 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, access support and enjoy a healthy working life.

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



We have mental health first aiders who are trained to provide first-hand support and an extra source of confidential support for someone experiencing mental ill health, along with dedicated wellbeing champions. They both help us to continue driving 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.

We support a wide range of charities, reflecting our colleagues' diverse passions. The activities our people have undertaken are wide-ranging, 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

For Paragon to meet its responsibilities to shareholders and stakeholders, the Board must 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.



# 09

## PRINCIPAL RISKS & UNCERTAINTIES



# PRINCIPAL RISKS AND 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		
Paragon's success depends only on the quality and relevance of our products and services.	Loss of revenues if the quality and relevance of our product diminishes.	<ul style="list-style-type: none"><li>• Robust data integrity platforms and processes</li><li>• Continued investment in recruiting and retaining high-quality researchers and analysts</li><li>• We are continually developing innovative solutions that enhance the content's quality and our client's user interface experience</li><li>• Focus on client feedback</li><li>• External consultants engaged to review quality control procedures</li></ul>
People and succession		
Failure to attract or retain leading people could seriously impede future growth.	Failure to recruit or retain core colleagues could lead to reduced innovation and progress in the business.	<ul style="list-style-type: none"><li>• Paragon is rapidly expanding, and the success of this expansion will be determined by our ability to manage and motivate our people to achieve the performance objectives</li><li>• We operate a competitive remuneration package and incentive schemes for management personnel</li><li>• We continue to strengthen the Senior Leadership Team to encourage motivation and engagement within the business</li></ul>
Competition and clients		
Paragon operates in highly competitive markets.	Failure to deliver satisfactory customer service leading to complaints or loss of customers. Significant changes in our target markets could make those markets less attractive. This could be due to significant changes in demand or in supply which impact the addressable market, market share and margins.	<ul style="list-style-type: none"><li>• We constantly monitor new technology capabilities and innovation to ensure that our products are always contemporary and relevant, which lets us respond to new competitive threats as they arise</li><li>• Our data sets, technology platforms and highly specialised equipment are unique and difficult to replicate</li><li>• Provide improved and best in class client support, thereby improving customer satisfaction and retention</li></ul>
Economic and global political changes		
Paragon businesses operate worldwide.	Economic and political uncertainty could lead to a supply chain issue, an increase in the price of raw material due to the conflict in Ukraine and Brexit and global inflation/ economic issues.	<ul style="list-style-type: none"><li>• 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 insight</li><li>• Management of headcount and overheads</li><li>• Increased controls over capital expenditure and working capital</li><li>• We operate in different geographies and therefore a balanced portfolio of markets</li></ul>
Climate and sustainability		
Risk of market, regulatory and policy changes driven by climate change could affect the ability of Paragon to execute its strategy.	<p>Increased operating costs as a result of increased cost and reduced availability of raw materials, cost of meeting current and emerging legislative &amp; regulatory requirements, increased electricity consumption for cooling due to temperature rise, loss of revenue should our Sustainability and Net Zero programmes not meet stakeholder requirements and loss of revenue from clients' digital migration plans driven by their commitment to reduce carbon.</p> <p>Relocation of operational sites due to acute physical risk from flooding and rising sea level.</p>	<ul style="list-style-type: none"><li>• Carbon Net Zero plans in place or in development to:<ul style="list-style-type: none"><li>• Reduce carbon emissions</li><li>• Support client goals and requirements</li><li>• Meet current and future legislative &amp; regulatory requirements</li></ul></li><li>• Investigation into viability of on-site renewable generation to reduce both carbon emissions and operating costs</li><li>• ISO 14001 &amp; ISO 50001 certified management systems focus on energy reduction programmes to reduce carbon &amp; operating costs</li><li>• Investment in technology, acquisitions and people skills to address the changing requirements of our stakeholders:<ul style="list-style-type: none"><li>• Digital communication platforms</li><li>• Lifecycle carbon calculation and reduction at product level to help our clients reduce the carbon footprint associated with their communication strategies</li></ul></li></ul>

Risk description	Potential impact	Mitigation
Regulatory compliance		
The risk of political or regulatory intervention and changes, failure to comply with laws and regulations, or greater regulatory scrutiny detecting unknown areas of non-compliance.	We may be subject to regulations restricting our activities or effecting changes in taxation.	The majority of Paragon's operations are based in the UK, France, Germany and the Netherlands. Appropriate advisers are employed in all geographies to ensure Paragon remains compliant with local laws and regulations.
Acquisition and disposal risk		
Paragon's strategy is for growth, both organically and by acquisition. Acquisitions may not always realise the benefits expected at the time of completion.	The failure to successfully identify and integrate the main acquisitions could lead to loss of profits, inefficient business processes, inconsistent corporate culture and weakened brand.	<ul style="list-style-type: none"><li>• 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</li><li>• Where necessary, external advisors with either technical and/or local knowledge are engaged</li></ul>
IT, cyber attacks and systems failure		
Risk of failure to prevent impacts from the denial of service, cyber espionage and the related theft/ disclosure of confidential/customer data leading to reputational, regulatory and financial impacts.	Significant operational disruption caused by a major disaster.	<ul style="list-style-type: none"><li>• Business continuity plans have been implemented across Paragon, including disaster recovery programmes, and plans to minimise business disruption</li><li>• We regularly review our cyber security and website security protocols</li></ul>
Pandemics		
The risk of future long-term pandemic-related lockdowns affecting multiple major markets appears to be subsiding.	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 trade, restrictions to travel, and quarantining of our people, resulting in a negative impact on demand or a slowdown or halting of our business operations due to supply or logistic constraints, could adversely impact our financial performance.	<ul style="list-style-type: none"><li>• 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</li><li>• Multi-channel product availability enabling clients to meet the needs for digital interaction to replace physical interactions</li><li>• Established links to government bodies enabling dialogue about industry response and regulation</li><li>• Decentralised decision-making enables re-prioritisation and resource re-deployment where required</li></ul>
Liquidity risk		
Risk that Paragon will not be able to meet the financial obligations as they fall due.	Our main sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through committed bank facilities. Adverse changes in credit markets or our credit rating could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms.	<ul style="list-style-type: none"><li>• Paragon's policy on liquidity is to ensure that it has committed bank facilities available to provide continuity of funding</li><li>• New three year €130m revolving credit facility agreed on 8 September 2023</li><li>• Throughout the financial year, Paragon Division maintained comfortable headroom against its covenants</li></ul>
Interest rate fluctuations		
The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets.	PCC finances its operations through a mixture of retained profit and bank borrowings. Fluctuations in the rates of applicable interest could adversely impact the Group's profitability and cash flows.	Paragon borrows at fixed and floating rates over a specified period. This enables the Group to forecast borrowing costs with a degree of certainty.





# 10

## 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 2023, 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 Paragon 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 of key stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes on 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, governments and regulators, at all levels of the organisation and across the enterprise are summarised below.

### Our people

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

### Primary interests

Paragon colleagues want:

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

### How we engage

We 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 health, safety and wellbeing of our people and promotion of inclusion and diversity. During the financial year, we have continued to invest in learning and development across the entire business. We have expanded our apprenticeship programmes and implemented Group-wide development initiatives.

The Board consults with our people through various 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 people and wider workforce, including contractors and temporary staff. In recent years, Board members began visiting our sites in all countries of operation. During these visits, the Board engages directly with local management and other colleagues during site and trade visits, with Board presentations and Board dinners and lunches enabling the Board to meet a broad spectrum of people from differing departments and markets.

### Customers

We are a customer-focused business and 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 main 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 the interests of 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 eCommerce, to identify opportunities that offer profitable growth for them. Our passion is to ensure we nurture mutually helpful 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 main 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 its 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 useful long-term relationships with its suppliers.

### Primary interests

Suppliers want:

- To build a long-term, mutually helpful relationship
- Paragon to meet their payment obligation 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, about the business's relationships with its suppliers, including for any material risks, performance issues or potential future changes. As part of Paragon's standard engagement process, suppliers are required to accept the Supplier Guidelines, which act as an acknowledgement that they meet certain minimum ethical and legal standards approved by the Board, including about modern slavery, anti-bribery and anti-money laundering. More details about 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 on page 72.

### 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 our people, that the business gives back to the communities in which it operates. 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 their people. Paragon colleagues are encouraged to nominate communities/charities that matter to them, which Paragon donates to through fundraising activities.

The Board seeks to disclose the Group’s carbon emissions transparently and how it will achieve status as a carbon neutral business. More information concerning Paragon’s carbon emissions can be found on page 85. 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 about environmental and social initiatives.

Government and regulators

The Board considers it vital that all our businesses adhere to government and regulator laws and rules within the countries where we operate.

Primary interests

Government and regulators want:

- Taxes to be up to date
- All rules and regulations adhered to

How we engage

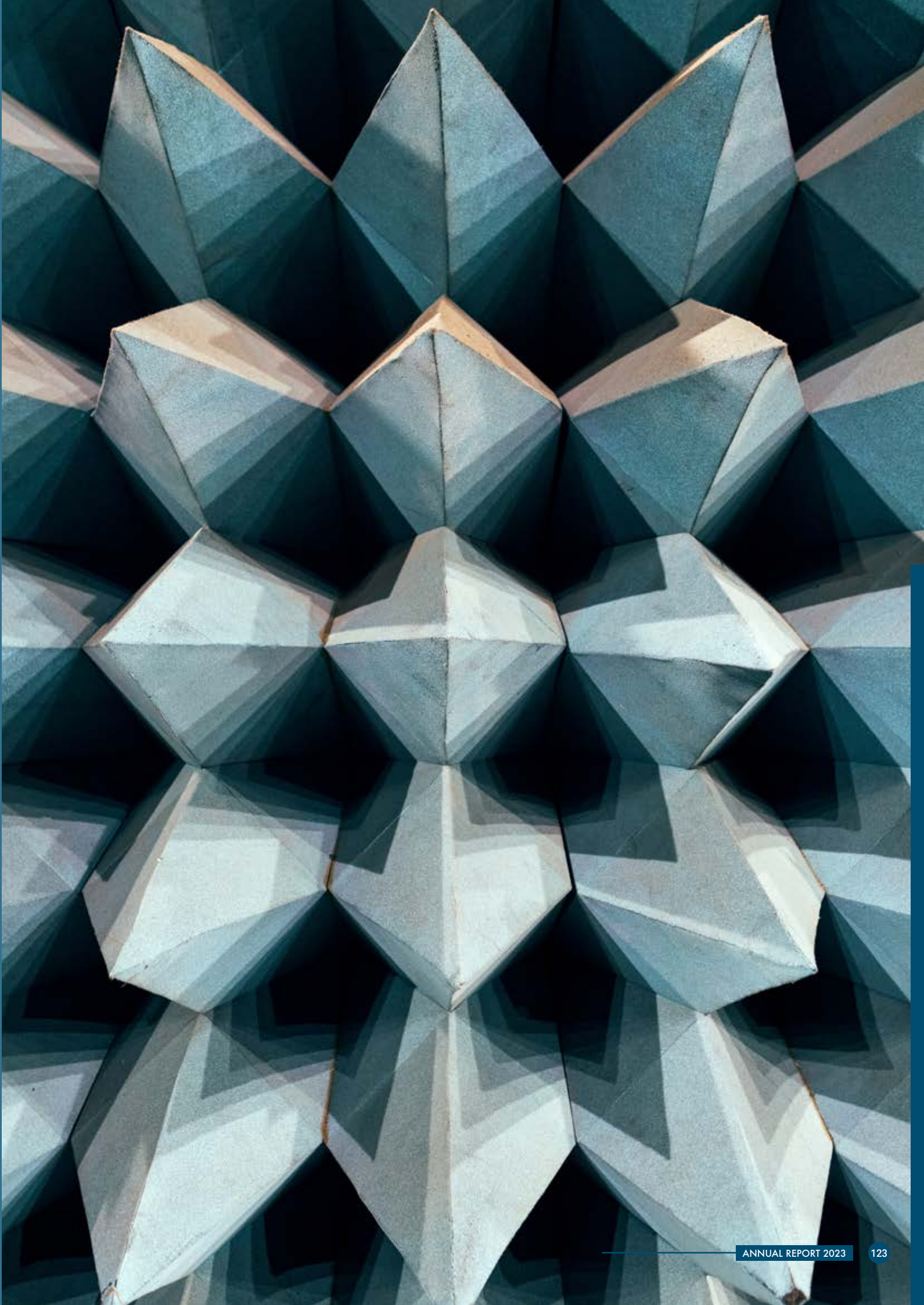
The regulatory environment is critical to the success of our business. We believe it is important that those who can influence policy, laws and regulation understand our views. We also want to share information and perspectives on areas that can impact our business and public health. Collaboration is a main 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 policymakers’ views and priorities which are then considered by the Board in making its decisions. This strategic report is approved by order of the Board.

Jeremy Walters  
Chief Executive Officer







11

## DIRECTORS' REPORT

FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JULY 2022  
TO 30 JUNE 2023



THE DIRECTORS PRESENT THEIR REPORT  
for the year ended 30 June 2023



**Patrick Crean**  
Executive Chairman



**Laurent T Salmon**  
Chief Financial Officer  
Grenadier Investment Group



**Séan Shine**  
Chief Executive Officer  
Grenadier Investment Group



**John Rogers**  
Executive Director  
Corporate Development



**Jeremy Walters**  
Chief Executive Officer



**Martin Edstrom**  
Chief Financial Officer

**Directors**  
Patrick J Crean (Executive Chair)  
  
Laurent T Salmon (Chief Financial Officer, Grenadier Group)  
  
Seán Shine (Chief Executive Officer, Grenadier Group)  
  
John Rogers (Executive Director, Corporate Development)  
  
Jeremy Walters (Chief Executive Officer) – Appointed 24 May 2023  
  
Martin Edstrom (Chief Financial Officer)  
  
**Company Secretary**  
Richard Cahill  
Registered office  
Park House, 16-18 Finsbury Circus, London, EC2M 7EB, United Kingdom

**Auditors**  
**Grant Thornton UK LLP**  
Chartered Accountants and Senior Statutory Auditor  
30 Finsbury Square, London, EC2A 1AG, United Kingdom  
  
**Bankers and advisers**  
**Crédit Agricole Corporate and Investment Bank (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 Delano Roosevelt, 75008, Paris, France

DIRECTORS' REPORT  
for the year ended 30 June 2023

Directors of the company

The Directors present their report and the financial statements for the year ended 30 June 2023. The Directors of the company are listed opposite.

During the year, Jeremy Walters was appointed as member of the Board and Michael Gordon left the Board. In addition, following the year end, Martin Edstrom joined the Board and John Farmer left the Board. The new Director appointments bring new perspective and commitment to the Board and the Group.

Results and dividends

The loss for the year after taxation for continuing operations amounted to €42,137,000 (2022: loss of €3,508,000).

The EBITDA<sup>2</sup> for the year for continuing operations amounted to €106,665,000 (2022: €101,912,000). A dividend was paid during the year of €NIL (2022: €50,000,000).

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<sup>1</sup>, Underlying EBITDA<sup>2</sup> and free cash flow are the key indicators management use to measure performance. KPIs for the financial year ended 30 June 2023 are shown in the table below, along with prior year comparatives.

	2023 €000	2022 €000	Change %
Sales of goods and services	1,198,155	1,088,067	11%
Underlying EBITDA <sup>2</sup>	106,665	101,912	5%
Non-underlying items	(47,781)	(16,554)	189%
Operating Inflows	46,132	75,500	(39)%
Free cash flow <sup>3</sup>	46,981	89,285	(42)%
Cash and Cash equivalents	154,818	219,362	(29)%
Net Borrowings	(285,340)	(231,577)	24%

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.

The Group's acquisition capabilities are discussed further on page 27 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 pages 120 and 121.

Financial risks and uncertainties

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

2. Underlying EBITDA is defined in Note 2(s) on pages 158 and 159.

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.

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 price risk exceeds any significant potential benefits. The risk is mitigated



DIRECTORS' REPORT  
for the year ended 30 June 2023 (cont.)

Commodity price risk

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, related parties 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 2022/23 on page 89 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 July 2023, the Group acquired the entire share capital of TDM.LOG for €167,000.

On the 6 October 2023, the Group entered into a €50m term loan for six years. It also included an extra revolving credit facility for €130m.

On 6 October 2023, the Group repaid early the €52,000,000 loan notes that were due to be paid by 15 December 2023.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability for 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 people

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

Where existing colleagues 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 our people with information through regular bulletins and newsletters has continued. Regular meetings are held between local management and colleagues to allow a free flow of information and ideas.

Going concern

The Group's business activities, together with the factors likely to affect its future development, 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 €139m 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 €41m 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 2023, the Group generated cash from operations of €50,026,000 (2022: €89,285,000).

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 2023 and 2024, including the ability to adhere to banking covenants. In doing so, the Directors have considered the uncertain nature of the current micro economy, 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 – a management case and three other scenarios. We used a set of severe but plausible downside assumptions for the management case.

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

- Our management case anticipates that volume would be steady for the remainder of 2023 and into 2024
- The downside case factors in a reduction in variable costs to align the costs with the lower volumes and reducing repairs and maintenance costs
- We assumed extra 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 20% in turnover across the five divisions for

- the remainder of 2023 and on into 2024 to reflect a scenario of a deeper economic impact, impact of war in Ukraine, cost of living increases, 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 and company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss for that period. In preparing the 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
- Ensure UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

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 126.

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
- 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



Jeremy Walters  
Director | Paragon Group

20 December 2023



# 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 2023, 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 Flow, 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 Principals).

In our opinion:

- The financial statements give a true and fair view of the state the Group's and of the parent company's affairs as at 30 June 2023 and of the Group's loss for the year 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 Principals
- 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 on page 134.

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.

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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



# Grant Thornton



## OUR APPROACH TO THE AUDIT

### Overview of our audit approach

Overall materiality:

Group: €6,000,000, which represents approximately 0.5% of Group revenue.

Parent company: €2,277,000, which represents 0.5% of the parent company's total assets at the planning stage

Key audit matters were identified as:

- Going concern (same as previous year)
- Valuation of amounts owed by group undertakings and risk of impairment of investments in subsidiaries (same as previous year and applicable to parent company financial statements only)

Our auditor's report for the year ended 30 June 2022 included three key audit matters that have not been reported as key audit matters in our current year's report. These relate to revenue recognition, business combinations and impairment of goodwill and intangible assets. These areas have required relatively less auditor effort during the current financial year and are no longer considered to be of most significance to the audit.

We performed:

- Audits of the financial information of the parent company and one significant component using component materiality (full-scope audit)
- Specified audit procedures on the financial information were performed for 11 components
- Analytical procedures at Group level (analytical procedures) were performed at the remaining 72 components of the Group
- Full scope and specified scope audit procedures were performed on the financial information of components representing 84% of the Group's revenue and 60% of the Group's total assets



INDEPENDENT AUDITOR’S REPORT (CONTINUED)  
to the members of PCC Global Plc

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. We addressed these matters in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



INDEPENDENT AUDITOR’S REPORT (CONTINUED)  
to the members of PCC Global Plc

Key audit matter – Group	How our scope addressed the matter – Group
<p><b>Going concern</b></p> <p>We identified going concern as one of the most significant assessed risks of material misstatement, due to the inherent judgement in forecasting compliance with covenants during the assessment period.</p> <p>As auditors, we are required to “obtain sufficient and appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).</p> <p>Management have modelled a base case forecast over the period to 31 December 2024 and considered various downside scenarios, noting that mitigating actions could be taken to prevent any covenant breach.</p> <p>As set out in note 2, a term loan was entered into during October 2023 to repay €52m of bonds with a maturity date of 15 December 2023. On the same date, a €130m revolving credit facility was also entered into. Details of the Group’s debt at 30 June is set out in note 20 to the financial statements.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"><li>Developed an understanding of the design and implementation of controls around management’s assessment of going concern</li><li>Obtained management’s base case scenario for the period to 31 December 2024, together with supporting evidence for all main trading, 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</li><li>We have performed arithmetical and consistency checks on management’s going concern model</li><li>Obtained management’s downside scenarios for the period to 31 December 2024 including a scenario with a set of severe but plausible assumptions reflecting their assessment of relevant uncertainties</li><li>Evaluated the assumptions about the forecast period and reduced trading levels under each of these scenarios including the impact on the covenant calculations</li><li>Assessed the accuracy of management’s historical forecasting by comparing management’s forecasts for the years ended 30 June 2023 and 30 June 2022 to the actual results for the periods and considering the impact on the base case cash flow forecast</li><li>Obtained post-year-end management accounts and compared against amounts forecasted to assess accuracy of forecasts</li><li>Assessed 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</li><li>Assessed the impact of the mitigating factors available to management for the ability to restrict the impact on covenant compliance</li><li>Assessed the adequacy of related disclosures within the report and financial statements against International Accounting Standards (IAS) 1 going concern disclosure requirements</li></ul>



INDEPENDENT AUDITOR’S REPORT (CONTINUED)

to the members of PCC Global Plc

Relevant disclosures in the Annual Report and Financial Statements for the year ended 30 June 2023	Our results
<ul style="list-style-type: none"><li>Notes to the consolidated financial statements: Note 2 Significant accounting policies and Note 20 Borrowings.</li></ul>	<ul style="list-style-type: none"><li>We have nothing to report in addition to that stated in the “Conclusions relating to going concern” section of our report.</li></ul>

Key audit matter – Parent company	How our scope addressed the matter– Parent company
<p><b>Valuation of amounts owed by Group undertakings and risk of impairment of investments in subsidiaries</b></p> <p>We 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.</p> <p>The parent company is a holding company in the PCC Global group, with many subsidiaries and transactions made to several Group undertakings:</p> <ul style="list-style-type: none"><li>Investments in subsidiaries €419m and</li><li>Amounts owed by Group undertakings €104m</li></ul> <p>There is 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.</p> <p>The directors are required to make an annual assessment to find out whether investments in subsidiaries and amounts owed by Group undertakings are impaired.</p> <p>Management’s assessment for indicators of impairment includes several management judgements that lead to a heightened risk of misstatement.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <p><b>Investments in subsidiaries</b></p> <ul style="list-style-type: none"><li>Evaluated 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</li><li>Where there is an indicator of impairment, obtained management’s impairment assessment, including the underlying discounted cash flow forecasts used to find out value in use and confirmed the arithmetical accuracy of those calculations, including the associated sensitivity analyses</li><li>Obtained management’s assessment of impairment indicators relating to the investment in Group undertakings and obtained evidence to support main assumptions therein. Through knowledge of the business, discussions with management and by using industry data and other external information, we assessed the reasonableness of management’s assumptions</li><li>Inspected Group reporting from component auditors to see if any significant investments have shown indicators of impairment based on underlying work performed by the component auditor</li><li>Considered the implications of the Group’s goodwill and intangible asset impairment review for evidence of underperforming subsidiaries</li></ul> <p><b>Amounts owed by Group undertakings</b></p> <ul style="list-style-type: none"><li>Evaluated and challenged 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 are sufficient to repay the liabilities and evaluated 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</li></ul>

Relevant disclosures in the Report and Financial Statements for the year ended 30 June 2023	Our results
Notes to the Parent Company Financial Statements: Note 1, Accounting policies.	Our audit procedures did not identify material misstatements in relation to the valuation of amounts owed by Group undertakings or impairment of investments in subsidiaries.

OUR APPLICATION OF MATERIALITY

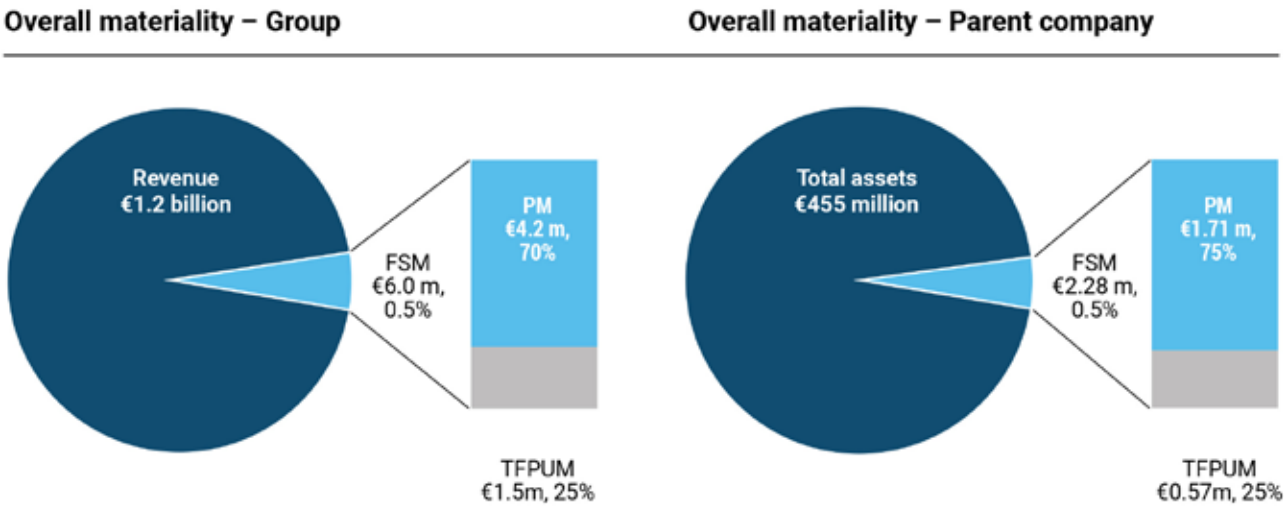
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report. Materiality was determined as follows:

Materiality measure	Group	Parent company
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	€6,000,000, which is approximately 0.5% of Group revenue.	€2,277,000 which is approximately 0.5% of the parent company’s total assets at the planning stage.
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements.</p> <ul style="list-style-type: none"><li>Revenue is considered the most appropriate benchmark for the Group because this is a key measure used by the directors to report to investors on financial performance. Loss before tax or adjusted loss before tax has not been used due to the volatility of these metrics</li></ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 June 2022 to reflect the increase in Group’s total revenue.</p>	<p>In determining materiality, we made the following significant judgements.</p> <ul style="list-style-type: none"><li>Total assets is considered the most appropriate benchmark for the parent company because its principal activity is that of a holding company (with the largest financial statement line items being investments and amounts owed by Group undertakings)</li></ul> <p>Materiality for the current year is based on total assets and higher than the level that we determined for the year ended 30 June 2022 which was based on net assets.</p>
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	€4,200,000, which is 70% of financial statement materiality.	€1,707,750 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"><li>The number and magnitude of misstatements identified during the prior year audits</li><li>The nature and impact of significant control deficiencies in prior years</li></ul>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"><li>The low number and magnitude of unadjusted misstatements made to the parent company’s financial statements in prior years</li><li>The nature and impact of significant control deficiencies identified in prior years</li></ul> <p>We concluded that an amount at the upper end of our normal range was appropriate.</p>
<b>Specific materiality</b>	We find 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	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"><li>Related party transactions and director’s remuneration</li></ul>	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"><li>Related party transactions and director’s remuneration</li></ul>
<b>Communication of misstatements to the audit committee</b>	We find a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	€300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	€113,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.



INDEPENDENT AUDITOR’S REPORT (CONTINUED)  
to the members of PCC Global Plc

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



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

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 environments, including Group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level
- We obtained an understanding of the effect of the Group organisational structure 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 main Group financial metrics,. This included total revenue. If any of the individual metrics above were greater than 15% of the Group total, then that component was classified as ‘individually financially significant to the Group’ and full-scope audit procedures were 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, specified scope procedures were performed
- All other components of the Group were considered as being ‘neither significant nor material’ and analytical procedures were performed

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- We identified the risk related to the going concern basis of preparation to be a key audit matter for the Group financial statements and the procedures to address this are included in the key audit matters section above. In order to address the audit risks identified during our planning procedures, including the key audit matter as set out above, we evaluated the design and implementation of controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances and consolidation adjustments.

- 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 auditors performed audit work on one full scope component and 11 specified scope components. The Group Audit Team visited the component auditors for the full scope 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 47% of revenue and 24% coverage of Group assets. Specified scope audits provided coverage of 37% of revenue. These components represented 36% of Group assets. Analytical procedures performed on the remaining components provided coverage of 16% of revenue and 40% coverage of Group assets.

Audit approach	No. of components	% coverage revenue	% coverage total asset
Full-scope audit	2	47%	24%
Specific-scope audit	11	37%	36%
Analytical procedures	72	16%	40%

Communications with component auditors

- The Group Engagement Team communicated with component auditors by issuing Group instructions, site visits and reviewing component working papers at the planning, fieldwork, and completion stages of the audit
- The Group Engagement Team held pre-scheduled conference calls throughout the audit fieldwork and had frequent communications with each component to monitor progress and we used video conferencing to review component audit documentation

Changes in approach from previous period

- Three components in France, Germany and the UK have been removed from the full scope audit owing to them being financially insignificant in the context of the Group as a whole

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 find out whether there is a material misstatement in the financial statements themselves. 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.



INDEPENDENT AUDITOR’S REPORT (CONTINUED)  
to the members of PCC Global Plc

**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
- 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report regarding 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

As explained more fully in the directors’ responsibilities statement set out in page 129, 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 discover 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 obtained an understanding of how the Group and the parent company are complying with those legal and regulatory frameworks by making inquiries with management and the Board of Directors. We corroborated inquiries through our review of Board minutes
- 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. We corroborated the results of our enquiries through review of Board minutes

- We assessed the susceptibility of the Group’s and parent company’s financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the Engagement Team included:
  - Asking 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 have 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 that reclassified costs to alternate performance measures disclosed in the face of the consolidated income statement
  - Testing journal entries with focus on those journal entries identified by the Group or Component Audit teams as posing a higher risk of material misstatement, based on an assessment of quantitative and qualitative risk factors.
  - Performing specific procedures in response to the risks and significant accounting estimates 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.
- 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
- For components in which audit procedures were performed, we requested the component auditors 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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

USE OF OUR REPORT

This report is made solely to the 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 the 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 the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Joanne Love**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
**London**  
**20 December 2023**



## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

	Notes	2023 €000	2023 €000	2023 €000	2022 €000	2022 €000	2022 €000
		Underlying	Non-underlying	Statutory	Underlying	Non-underlying	Statutory
<b>Revenue from sale of goods and services</b>	3	<b>1,198,155</b>	<b>-</b>	<b>1,198,155</b>	<b>1,088,067</b>	<b>-</b>	<b>1,088,067</b>
Material costs		612,058	-	612,058	529,769	-	529,769
Payroll	5, 8	354,625	29,459	384,084	344,861	13,040	357,901
Other operating costs		124,807	20,704	145,511	111,525	2,824	114,349
Other operating income	8	-	(3,027)	(3,027)	-	(2,442)	(2,442)
<b>Costs before depreciations and amortisation</b>		<b>1,091,490</b>	<b>47,136</b>	<b>1,138,626</b>	<b>986,155</b>	<b>13,422</b>	<b>999,577</b>
EBITDA (excluding corporate charges)	2, 8	106,665	(47,136)	59,529	101,912	(13,422)	88,490
Corporate charges	2	8,205	2,165	10,370	7,416	3,132	10,548
Depreciation and amortisation	4	64,121	-	64,121	63,642	-	63,642
<b>EBIT/operating profit/(loss)</b>	<b>4</b>	<b>34,339</b>	<b>(49,301)</b>	<b>(14,962)</b>	<b>30,854</b>	<b>(16,554)</b>	<b>14,300</b>
(Loss)/Gain on asset disposals	8	-	(4,519)	(4,519)	-	1,416	1,416
Share of equity accounted investments	15	97	-	97	698	-	698
Finance income	6	932	-	932	290	-	290
Finance cost	7	(28,235)	-	(28,235)	(19,949)	-	(19,949)
<b>Profit/(loss) before tax</b>		<b>7,133</b>	<b>(53,820)</b>	<b>(46,687)</b>	<b>11,893</b>	<b>(15,138)</b>	<b>(3,245)</b>
Income tax (credit)/charge	9	(3,013)	(1,537)	(4,550)	(1,847)	(1,584)	263
<b>Profit/(loss) for the year from continuing operations</b>		<b>10,146</b>	<b>(52,283)</b>	<b>(42,137)</b>	<b>10,046</b>	<b>(13,554)</b>	<b>(3,508)</b>
Discontinued operations	10	-	-	-	-	-	-
<b>Profit/(loss) for the year</b>		<b>10,146</b>	<b>(52,283)</b>	<b>(42,137)</b>	<b>10,046</b>	<b>(13,554)</b>	<b>(3,508)</b>

1. EBITDA and EBIT is defined in note2(s) on page 158.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	2023 €000	2022 €000
<b>Loss for the year</b>	<b>(42,137)</b>	<b>(3,508)</b>
<i>Items that will not be reclassified subsequent to profit or loss</i>		
Actuarial gain/(loss) recognised on pension schemes	373	(50)
Revaluation of land and buildings	(199)	5,861
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	30	(1,619)
<b>Other comprehensive income for the year</b>	<b>204</b>	<b>4,192</b>
<b>Total comprehensive (loss)/profit for the year</b>	<b>(41,933)</b>	<b>684</b>
<b>Attributable to:</b>		
Owners of the parent	(41,933)	684



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 €000	2022 €000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	62,047	54,043
Right-of-use assets	21	99,721	81,372
Goodwill	13	76,687	72,803
Other intangible assets	14	87,647	97,381
Financial investments	15	520	803
Retirement benefits surplus	25	139	36
Deferred tax assets	24	13,791	10,005
Other non-current assets	18	9,916	1,524
		<b>350,468</b>	<b>317,967</b>
<b>Current assets</b>			
Inventories	17	32,649	38,343
Trade and other receivables	18	115,272	111,030
Loan receivable from related party	32	21,880	14,648
Income tax receivable		1,268	831
Cash and cash equivalents	18	154,818	219,362
		325,887	384,214
Assets held for sale	16	17	17
		<b>325,904</b>	<b>384,231</b>
<b>Total assets</b>		<b>676,372</b>	<b>702,198</b>
<b>Liabilities</b>			
Current liabilities			
Lease liabilities	21	21,576	23,452
Borrowings - related party	20,32	1,676	7,475
Borrowing – 3rd party	20	64,318	16,331
Trade and other payables	19	273,292	255,513
Income tax payables		812	2,749
Deferred income	22	5,653	6,010
Provisions	23	8,703	2,187
		<b>376,030</b>	<b>313,717</b>

continued...

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (continued)

	Notes	2023 €000	2022 €000
<b>Non-current liabilities</b>			
Borrowing - third party	20	301,541	362,552
Lease liabilities	21	72,927	55,575
Provisions	23	13,443	14,476
Deferred income	22	281	477
Deferred consideration	19	500	-
Deferred tax liabilities	24	8,680	8,079
Retirement benefits deficit	25	4,142	4,323
		401,514	445,482
<b>Total liabilities</b>		<b>777,544</b>	<b>759,199</b>
<b>Net liabilities</b>		<b>(101,172)</b>	<b>(57,001)</b>
<b>Equity</b>			
Share capital	27	240,407	240,407
Capital reserve		142	142
Cumulative translation reserve	28	(1,779)	(1,809)
Revaluation reserve	28	5,662	5,861
Retained earnings	28	(15,184)	26,580
Equity pre-merger reserve		229,248	271,181
Unrecognised fair value merger reserve	29	(330,420)	(328,182)
<b>Total equity</b>		<b>(101,172)</b>	<b>(57,001)</b>

The financial statements were approved and authorised for issue by the Board of Directors on 20 December 2023 and signed on its behalf by:

**Jeremy Walters**  
Director



**Martin Edstrom**  
Director



continued...



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Share capital €000	Capital reserve €000	Retained earnings €000	Revaluation reserve €000	Cumulative translation reserve €000	Total €000	Unrecognised fair value merger reserve €000	Total equity €000
<b>Balance as at 1 July 2022</b>	<b>240,407</b>	<b>142</b>	<b>26,580</b>	<b>5,861</b>	<b>(1,809)</b>	<b>271,181</b>	<b>(328,182)</b>	<b>(57,001)</b>
Loss for the year	-	-	(42,137)	-	-	(42,137)	-	(42,137)
Related party acquisition (note 11)	-	-	-	-	-	-	(2,238)	(2,238)
Other comprehensive income for the year	-	-	373	(199)	30	204	-	204
<b>Balance as at 30 June 2023</b>	<b>240,407</b>	<b>142</b>	<b>(15,184)</b>	<b>5,662</b>	<b>(1,779)</b>	<b>229,248</b>	<b>(330,420)</b>	<b>(101,172)</b>

For the year ended 30 June 2022

	Share capital €000	Capital reserve €000	Retained earnings €000	Revaluation reserve €000	Cumulative translation reserve €000	Total €000	Unrecognised fair value merger reserve €000	Total equity €000
<b>Balance as at 1 July 2021</b>	<b>240,407</b>	<b>142</b>	<b>80,138</b>	<b>-</b>	<b>(190)</b>	<b>320,497</b>	<b>(328,182)</b>	<b>(7,685)</b>
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
<b>Balance as at 30 June 2022</b>	<b>240,407</b>	<b>142</b>	<b>26,580</b>	<b>5,861</b>	<b>(1,809)</b>	<b>271,181</b>	<b>(328,182)</b>	<b>(57,001)</b>

### Supplementary information – unrecognised fair value merger reserve:

Management have 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

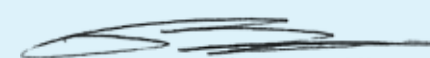
As at 30 June 2023

	Notes	2023 €000	2022 €000
<b>Assets</b>			
Non-current assets			
Intangible assets		1,456	2,165
Deferred tax assets		4,442	1,998
Long term receivable		62,939	62,939
Investment in Group undertakings	5	419,441	394,441
		<b>488,278</b>	<b>461,543</b>
<b>Current assets</b>			
Trade and other receivables	6	44,160	80,674
Cash and cash equivalents	6	44,597	51,071
		88,757	131,745
<b>Total assets</b>		<b>577,035</b>	<b>593,288</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		13,907	12,743
Borrowings – third party		52,000	-
		65,907	12,743
<b>Non-current liabilities</b>			
Borrowings - 3rd party		265,478	317,581
Long term trade payables	8	5,390	10,193
		270,868	327,774
<b>Total liabilities</b>		<b>336,775</b>	<b>340,517</b>
<b>Net assets</b>		<b>240,260</b>	<b>252,771</b>
Equity			
Share capital	9	240,407	240,407
Capital reserve		142	142
Cumulative translation reserve		(3)	(3)
Retained earnings		(286)	12,225
<b>Total equity</b>		<b>240,260</b>	<b>252,771</b>

As permitted by Section 408 of the Companies Act 2006, no Income Statement account of the company is included in these financial statements. The company accounts are prepared based on FRS101. The loss for the financial period for the company was €12,511,000 (2022: Loss of €13,239,000).

These financial statements were approved by the Board of Directors on 20 December 2023 and signed on its behalf by

**Jeremy Walters**  
Director



**Martin Edstrom**  
Director





## CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 June 2023

	Notes	2023 €000	2022 €000
<b>Loss from continuing activities before tax</b>			
Adjustment for:		<b>(46,687)</b>	<b>(3,245)</b>
Depreciation of property, plant and equipment	11	13,751	16,519
Non-cash gains on acquisitions	8	(3,027)	(2,442)
Amortisation of intangible assets	14	23,964	22,661
Amortisation of right-of-use assets	21	26,477	24,527
Loss/(Gain) on assets disposal	8	4,519	(1,416)
Amortisation of government grants	4	(71)	(65)
Share of equity accounted investments	15	(97)	(698)
Net finance costs	6, 7	27,303	19,659
<b>Operating cash inflows before movements in working capital</b>		<b>46,132</b>	<b>75,500</b>
Increase/(decrease) in inventories		6,205	(11,653)
Increase/(decrease) in receivables		(3,057)	15,840
Increase/(decrease) in payables		(4,810)	12,038
Increase/(decrease) in deferred income		(211)	1,571
Cash contributions to defined benefit pensions schemes		(17)	(50)
(Decrease)/Increase in other provisions	23	2,739	(3,961)
<b>Cash generated from operations</b>		<b>46,981</b>	<b>89,285</b>
Interest paid		(23,281)	(8,086)
Interest income		4	4
Interest tax paid		(3,363)	(753)
<b>Net cash generated by operating activities</b>		<b>20,341</b>	<b>80,450</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(13,404)	(9,609)
Payments for intangible assets		(13,074)	(37,847)
Payments on disposal and addition on ROU assets		(5,145)	-
Proceeds from disposal of property, plant and equipment		-	641
(Payments)/Proceed from purchase/sale company to related party		(3,306)	1,198
Payments for acquisition of subsidiaries, net of cash acquired	12	5,155	(13,515)
Dividends received from joint ventures		349	700
<b>Net cash used in investing activities</b>		<b>(29,425)</b>	<b>(58,432)</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 June 2023 (continued)

	Notes	2023 €000	2022 €000
<b>Cash flows from financial activities</b>			
Repayments of capital element of lease liabilities		(28,382)	(25,555)
Repayment of borrowings, third party		(10,238)	(11,987)
Repayment of borrowings, related party		(13,080)	(2,841)
Proceeds from borrowings		-	16,261
Proceeds from bonds, net of deferred fees		-	175,578
Dividends		-	(50,000)
<b>Net cash increase/(decrease) generated by financing activities</b>		<b>(51,700)</b>	<b>101,456</b>
<b>Net increase/(decrease) in cash and bank overdrafts</b>		<b>(60,784)</b>	<b>123,474</b>
<b>Cash net of bank overdrafts at the beginning of the year</b>		<b>213,760</b>	<b>90,124</b>
Net increase/(decrease) in cash and bank overdrafts		(60,784)	123,474
Effect of exchange rate changes on cash and bank overdrafts held in foreign currencies		(12)	162
<b>Cash net of bank overdrafts at the end of the year</b>		<b>152,964</b>	<b>213,760</b>

### Supplementary information – analysis of net debt

	2022 €000	Cash flow €000	Transfer (non cash)	Exchange difference €000	Non cash €000	Acquisition movements €000	At 30 June 2023 €000
Cash and cash equivalents	219,362	(70,216)	-	77	-	5,595	154,818
Bank overdrafts	(5,602)	3,837	-	(89)	-	-	(1,854)
<b>Cash net of bank overdrafts</b>	<b>213,760</b>	<b>(66,379)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>5,595</b>	<b>152,964</b>
Bank loans	(56,717)	10,238	-	67	-	-	(46,412)
Net loan with related party	7,173	13,080	-	(49)	-	-	20,204
Bonds net of unamortised issue costs	(316,766)	-	-	-	(827)	-	(317,593)
Lease liabilities	(79,027)	28,382	-	248	(39,328)	(4,778)	(94,503)
<b>Net debt</b>	<b>(231,577)</b>	<b>(14,679)</b>	<b>-</b>	<b>254</b>	<b>(40,155)</b>	<b>817</b>	<b>(285,340)</b>

Cash and cash equivalents (which are presented as a single class of assets on the face of the 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 €826,785 (2022: €818,000). Non-cash right-of-use lease movements of €39,328,000 (2022: €13,671,000) include asset additions, discounting and remeasurements and are itemised in further detail in note 21.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 2023, 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 2023.

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 has issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 30 June 2023:

- 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 report- ing 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 second set of consolidated accounts, having not been prepared previously. Companies have been acquired from other companies who are under common control, these were not deemed to be acquisitions within the scope of IFR3 business combination accounting. Therefore, in preparing the consolidated financial statements Group reconstruction accounting has been applied. 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 London a subsidiary of PCC Global Plc acquired from Service Graphics UK, a common control company.

On 26 October 2022, acquired trade and assets of Service Graphics UK Limited – Image Factory (note 12).

This does 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 have 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
- Any difference between consideration 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 have 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 four divisions which are aligned by Management control. These are Western Europe, DACH & CEE, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The going concern basis has been applied in these accounts. The consolidated financial statements are presented in Euros, 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 have 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 (x) and (y) on page 159.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

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 2023. 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 deconsolidated 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 Statement of Financial Position as deferred income. 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 recognised 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. Revenue is recognised as a point in time.

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. Revenue is recognised over time.

The Group has elected to use the practical expedient in IFRS 15.B16 to recognise revenue as they have a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Digital Customer Experience revenues include data insights, data management, secure data processing and archiving, data compliance, digital platform development and data technology services. Revenue is recognised as a point in time.

In all cases, the performance obligation is generally defined at the level of each good/service 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 banking facilities and financial forecasts for the remainder of the year 2023/24, including the ability to adhere to banking covenants. In doing so, the directors have considered the uncertain nature of the current local economic, current trading trends in our four divisions and extensive actions already undertaken to protect profitability and conserve cash. In October 2023, the Group entered into a five year term loan in order to pay a €52,000,000 Bond with an original repayment date of 15 December 2023. On the same day, the Group entered a €130m revolving credit facility with a maturity on 30 July 2028.

Financial forecasts

Four scenarios were considered for the Group in preparing our going concern assessment, being a management case showing FY 2024 in line with expectations and three other downside scenarios, and using one scenario which is severe, but plausible assumptions to the management base case. These forecasts have assessed the Group's liquidity and ability to comply with lending covenants (underlying EBITDA is a key metric for one of the covenants). The forecast does not include any acquisitions.

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

- Our management case anticipates that volume would be steady for the remainder of 2023 and into 2024
- 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. The downside case included further reductions of 10%, 15% and 21% in turnover across the four divisions for the remainder of 2023 and on into 2024 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
- Notwithstanding the above, a severe, but plausible, reduction in EBITDA could result in a breach of banking covenants before management implement mitigating actions
- Extra measures are available to management, such as 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
- And, should any of the downside cases occur, management are confident that positive action could be taken to mitigate this position, and prevent any breach of covenants, such as: implementation of cost savings, restructuring and cash management

Outcome of assessment

Overall, the Group has remained profitable at the underlying EBITDA level, for the first four months of the 2024 financial year. While the Group is behind budget post year-end due to operational reasons, management have taken positive action to ensure the Group is on track to meet its covenants.

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, mitigating actions available to management 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.

(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 (h).

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 less amortisation. 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revaluation (continued)

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 and buildings, as this was first time adoption. The Group plans an external review of properties at the end of financial year 2024, in line with policy of reviewing property valuation every two years. Management are comfortable that the value of the properties have not materially moved in the last 12 months.

(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 and 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, right-of-use assets and property, plant and equipment are reviewed at each Consolidated Statement of Financial Position date to find out 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 for 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 value using a pre-tax discount rate that reflects current market estimated future cash flows are discounted to their present 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 for goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to find out 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.

(j) 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.

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.

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 colleagues affected, a detailed estimate of the associated costs, and an appropriate timeline and the people 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions for retirement costs

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.

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.

(I) Foreign currencies

Transactions in foreign currencies other than the 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 Euros 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 which 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.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

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 26 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 (2022: 10.8%). 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.

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 factors, the undrawn 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 are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

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 people.

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 12 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 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 machinery 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 12 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 12 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 before 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
- ROU asset and liabilities 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.

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

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. While 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 benefited 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 more than 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 within other operating income. Please see note 8 to the financial statements for further detail about 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 shareholders' 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 cash flows, the division process should focus on an entity source of revenue and how assets are used 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 make decisions around revenues on a regional basis as set out above. The aim is to negotiate deals on a regional basis with invoices sold across each region and therefore the cash flows are interdependent on each other. The four CGUs 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.

Many of the Group's leases have options to renew or end. 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 end. 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 find out 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.

#### (y) Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. The following areas of estimation could have an 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.

On the 7 December 2022, the Group acquire the entire issued share capital of Bretagne Routage. The consideration included an amount of contingent consideration. This contingent consideration has been fair valued at €nil in line with EBITDA targets.

On 30 June 2023, the Group acquired the entire issued share capital of MINC Groupe BV. The consideration included an amount of contingent consideration. This contingent consideration has been fair valued at €1,000,000 in line with 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 2023

### 3. REVENUE

The Group's operating and reporting segments in the current year corresponds. This disclosure correlates with the information which is presented to the CEO and CFO, which reviews revenue and underlying EBITDA (excluding corporate charges) by region. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the Board, who are considered to be the Chief Operating decision-makers, at a consolidated level and therefore have not been allocated between regions in the analysis below:

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

	2023 €000	2022 €000
UKIL	627,793	571,570
Western Europe	254,052	219,673
DACH	245,012	231,621
BENE	60,847	57,581
Third party revenue	1,187,704	1,080,445
Related party	10,099	7,152
Rental income	352	470
<b>Total revenue</b>	<b>1,198,155</b>	<b>1,088,067</b>

UKIL includes UK, Luxembourg, Bulgaria and Ireland  
DACH & CEE includes Germany, Poland, Sweden and Czech Republic  
Western Europe includes France, Spain, Italy and Romania  
BENE includes Belgium and the Netherlands

All revenue was recognised at a point of time other than revenue over time and amounted to €641,770,000 (2022: €615,661,000). The amount disclosed for revenue recognised over a period time relating to the prior year has been restated to include €413,661,000 of transactional revenue which was previously considered to be recognised at a point in time. The total recognised for the year has not changed.

#### An analysis of the Group's underlying EBITDA (excluding corporate charges) from continuing operations:

	2023 €000	2022 €000
UKIL	74,903	67,046
Western Europe	22,755	22,325
DACH	6,781	11,751
BENE	6,722	5,832
Corporate & other	(4,496)	(5,041)
<b>Total underlying EBITDA (excluding corporate charges)</b>	<b>106,665</b>	<b>101,913</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 4. OPERATING PROFIT

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

	2023 €000	2022 €000
<b>Auditor's remuneration</b>		
<b>Audit fees:</b>		
Audit of the Group accounts	603	179
Audit of the accounts of the company's subsidiaries by Grant Thornton UK LLP	955	273
Audit of the accounts of the company's subsidiaries by the Group auditors	184	742
Audit of the accounts of the company's subsidiaries by others	325	312
<b>Non-audit fees to Group auditors:</b>		
Corporate finance transactions	-	-
Other assurance services	-	-
Audit related assurance services	19	298
<b>Other non-audit services not covered elsewhere:</b>		
Tax compliance services	-	-
Tax advisory services	-	-
<b>Audit and non-audit fees</b>	<b>2,086</b>	<b>1,804</b>
Foreign exchange loss	574	218
Non-underlying net expenses (note 8)	47,136	13,422
Lease charges (note 21)	1,247	1,292
Depreciation of property, plant and equipment (note 11)	13,751	16,519
Amortisation of intangible assets (note 14)	23,964	22,661
Amortisation of government grants (note 22)	(71)	(65)
Amortisation of right-of-use assets (note 21)	26,477	24,527
<b>Depreciation and amortisation</b>	<b>64,121</b>	<b>63,642</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 30 June 2023

5. STAFF COSTS

The average monthly number of employees (including executive directors) are:

	2023 No.	2022 No.
Production	6,146	6,269
Administration	1,328	1,173
	<b>7,474</b>	<b>7,442</b>
<b>Their aggregate remuneration comprised:</b>		
Wages and salaries	330,557	308,207
Social security costs	46,076	43,300
Other pension costs	7,451	6,394
	<b>384,084</b>	<b>357,901</b>
<b>Directors' emoluments</b>		
Remuneration	1,232	1,089
Company contributions paid to money purchase scheme	11	5
	1,243	1,094
<b>Members of money purchase pension schemes</b>	<b>1</b>	<b>1</b>

The remuneration of certain excutive 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 their remuneration for 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 2023

6. FINANCE INCOME

	2023 €000	2022 €000
Foreign exchange gains on retranslation of intercompany loan balances	-	-
Related party interest	916	192
Other interest income	16	98
	<b>932</b>	<b>290</b>

7. FINANCE COST

	2023 €000	2022 €000
Bond interest	13,797	11,588
Bank loans and overdrafts	9,611	4,593
Foreign exchange gains on retranslation on intercompany loan balances	776	365
Finance charge on lease liabilities	3,020	2,319
Net interest on retirement pensions & defined benefit schemes (note 25)	121	50
Related party interest	-	157
Amortisation of capitalised bond issue costs	827	818
Other finance costs	83	59
	<b>28,235</b>	<b>19,949</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 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. While 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:

	2023 €000	2022 €000
Redundancy and related charges (a)	29,459	13,040
Costs of industrial relocation, restructuring and consolidation (b)	15,210	2,578
Acquisition costs (g)	2,052	-
Other (d)	3,442	246
Gain on acquisition (e)	(3,027)	(2,442)
<b>Non-underlying net expenses impacting EBITDA<sup>1</sup></b>	<b>47,136</b>	<b>13,422</b>
Corporate charges (c)	2,165	3,132
Loss (Gain) on asset disposals (f)	4,519	(1,416)
<b>Non-underlying net expense/(gains)</b>	<b>53,820</b>	<b>15,138</b>
Income tax credit	(1,537)	(1,584)
	<b>52,283</b>	<b>13,554</b>

- 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 taking place, including those costs which are associated with the delivery of customer contracts during this transition or integration period
- b) Costs of industrial relocation, restructuring and consolidation includes the charges arising from the closure 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, and claims
- e) Gain on bargain purchase
- f) Gain on asset disposal in the current year arose on the sale of property, plant and equipment
- g) Acquisition costs relate to third party legal and professional fees occurred in relation to acquisitions

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 9. INCOME TAX

Income tax on the (loss)/profit as shown in the Consolidated Income Statement is as follows:

	2023 €000	2022 €000
<b>Current tax</b>		
Current period	987	1,626
Adjustment for current tax on prior periods	102	476
<b>Total current tax charge</b>	<b>1,089</b>	<b>2,102</b>
Origination and reversals of temporary differences	(2,729)	(3,288)
Adjustments for deferred tax on prior periods	(2,910)	1,449
<b>Total deferred tax credit (note 24)</b>	<b>(5,639)</b>	<b>(1,839)</b>
<b>Total income tax (credit)/charge</b>	<b>(4,550)</b>	<b>263</b>

The credit can be reconciled to the (loss)/profit before tax as shown in the Consolidated Income Statement as follows:

	2023 €000	2022 €000
<b>Loss before tax</b>	<b>(46,687)</b>	<b>(3,245)</b>
Tax calculated at a rate of 20.5% (2022: 19%)	(9,571)	(617)
Non-taxable income	(655)	(175)
Non-deductible expenses	6,384	2,608
Effect of changes in tax rates	(487)	(1,943)
Losses carried forward not recognised	3,059	1,212
Utilisation of previously unrecognised losses	(308)	(1,887)
Effect of higher tax rate overseas	(352)	191
Foreign exchange difference	188	(68)
Related party tax relief – not at standard rate	-	(983)
Adjustments for prior periods	(2,808)	1,925
<b>Total income tax (credit)/charge</b>	<b>(4,550)</b>	<b>263</b>

OECD Pillar 2 On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. The Group is continuing to assess the potential impact of Pillar 2 on the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 9. INCOME TAX CREDIT (CONTINUED)

The Finance Act 2020 included legislation to maintain the main rate of UK corporation tax at 19%. 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:

	2023 €000	2022 €000
<b>Deferred tax (credit)/charge on origination and reversal of temporary differences (note 24)</b>	-	-

### 10. DISCOUNTED OPERATIONS

Eco Mailer Limited was disposed of on 21 June 2023, accordingly it has been treated as a discontinued item.

	€000
<b>Revenue</b>	<b>5,749</b>
Material costs	3,948
Payroll	1,644
Other operating costs	1,008
Depreciation & amortisation total	178
<b>Operating costs</b>	<b>6,778</b>
<b>EBIT</b>	<b>(1,207)</b>
Profit on disposal of investment	1,207
<b>Profit before tax</b>	<b>-</b>
<b>Cash flows from discontinued operations</b>	
Net cash outflows from operating activities	(2,938)
Net cash inflows from investing activities	-
Net cash outflows	(2,938)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €000	Plant and machinery €000	Fixtures, fittings & equipment €000	Total €000
<b>Financial year ended 30 June 2022</b>				
Opening net book value	8,329	35,558	3,016	46,903
Reclassification from (to) ROU and intangibles	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
<b>Net carrying value at 30 June 2022</b>	<b>18,670</b>	<b>33,011</b>	<b>2,362</b>	<b>54,043</b>
<b>As 30 June 2022</b>				
Cost or deemed cost	29,257	154,044	11,389	194,690
Accumulated depreciation	(10,587)	(121,033)	(9,027)	(140,647)
<b>Net book amount</b>	<b>18,670</b>	<b>33,011</b>	<b>2,362</b>	<b>54,043</b>
<b>Financial year ended 30 June 2023</b>				
Opening net book value	<b>18,670</b>	<b>33,011</b>	<b>2,362</b>	<b>54,043</b>
Reclassification from (to) ROU and intangibles	361	(2,093)	929	(803)
Additions	7,429	5,075	900	13,404
Acquisitions	4,644	5,983	81	10,708
Revaluation	-	-	-	-
Disposals	(331)	(1,359)	(106)	(1,796)
Depreciation	(1,753)	(10,417)	(1,581)	(13,751)
Exchange movements	217	24	1	242
<b>Net carrying value at 30 June 2023</b>	<b>29,237</b>	<b>30,224</b>	<b>2,586</b>	<b>62,047</b>
<b>At 30 June 2023</b>				
Cost or revalued/deemed cost	38,800	106,112	12,083	156,995
Accumulated depreciation	(9,563)	(75,888)	(9,497)	(94,948)
<b>Net book amount</b>	<b>29,237</b>	<b>30,224</b>	<b>2,586</b>	<b>62,047</b>

The Group has freehold land, included within land and buildings, with a book value of €1,412,000 (2022: €727,000), which has not been depreciated.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The book cost of land and buildings would have been as follows if the Group had not revalued them:

At 30 June 2023	
Cost or deemed cost	35,422
Accumulated depreciation	(17,217)
Net book amount	18,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. ACQUISITIONS

Acquisition of Canon France Business Services SAS

On 26 June 2023, the Group acquired the entire issued share capital of Canon France Business Services SAS.

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 tables.

	Fair value €000
Property, plant and equipment	4,419
Customer relationships	2,170
Software	1,335
Right-of-use assets	-
Other non-current assets	88
Non-current assets	8,012
Trade and other receivables	6,342
Inventories	-
Cash and cash equivalents	2,812
Current assets	9,154
Total assets	17,166

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 deferred consideration comprised a cash payment of €1,212,000, and loan settlement of €9,239,000. All acquisition costs were included in other operating costs in the income statement.

	Fair value €000
Trade and other payables	6,908
Deferred income	-
Lease liabilities	-
Deferred tax liabilities	543
Other provisions	1,847
Total liabilities	9,298
Net assets	7,868
Fair value of deferred consideration	1,212
Shareholder loan to be repaid – deferred consideration	9,239
Goodwill (note 13)	2,583

Canon France Business Services SAS was acquired to strengthen our capabilities in the business process outsourcing and digital cloud services. The move will not only deepen our relationships with existing customers but also further consolidate our operations into main markets.

For the acquisition, revenue of €Nil and EBITDA<sup>1</sup> of €Nil, 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 €30,336,000 and EBITDA<sup>1</sup> of €2,802,000.

<sup>1</sup> EBITDA is defined in note 2(s) on page 158.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. ACQUISITIONS (CONTINUED)

Acquisition of controlling interest in MINC Groupe BV

On the 30 June 2023, the Group acquired the entire issued share capital of MINC Groupe BV. 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		Fair value €000
Property, plant and equipment	172	Trade and other payables	544
Software	20	Lease liabilities	1,086
Right-of-use assets	1,086	Deferred tax liability	169
Customer relationship	656	<b>Total liabilities</b>	<b>1,799</b>
<b>Non-current assets</b>	<b>1,934</b>		
Inventories	42	<b>Net assets</b>	<b>1,131</b>
Trade and other receivables	953	<b>Deferred consideration</b>	<b>1,500</b>
Cash and cash equivalents	1	<b>Contingent consideration</b>	<b>1,000</b>
<b>Current assets</b>	<b>996</b>	<b>Goodwill (note 13)</b>	<b>1,369</b>
<b>Total assets</b>	<b>2,930</b>		

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

An income approach incorporating MEEM was used in assessing the valuation of the core business contracts and relationships as at the date of acquisition. Development expenditure was based on an internal valuation model using the cost approach.

The fair value of the customer relationships was based on an internal valuation model. All acquisition costs were included in other operating costs in the Income Statement.

The MINC Groupe BV produces fulfilment services in its local markets. This move will enable us to deepen our relationships with our existing customers but also further consolidate our operations in main markets.

For the acquisition, revenue of €NIL and EBITDA<sup>1</sup> of €NIL 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 €7,057,000 and an EBITDA<sup>1</sup> of €1,156,000.

<sup>1</sup> EBITDA is defined in note 2(s) on page 158.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. ACQUISITIONS (CONTINUED)

Acquisition of other transactions

The Group entered three other smaller acquisitions in the year. A simple description of the acquisition in this grouping along with a single fair value table for the three acquisitions has been presented below. All acquisitions were made to help expand into their respective sector and complement existing business within the Group. All acquisition costs are included in other operating costs in the income statement.

On 11 October 2022, Paragon WE acquired trade and assets as part of a European-wide tender process, due to administration of the previous supplier. The move enables us to increase our presence in Business Processing Outsourcing.

On 7 December 2022, Paragon WE entered into a sales and purchase agreement (SPA) to acquire the entire issued share capital of Bretagne Routage. The move enables us to increase our presence in Business Processing Outsourcing.

On 21 January 2023, Paragon London entered into a SPA to acquire the trade and assets of JPS Limited (in administration). The move enables us to deepen our relationship with a main European customer.

In calculating the goodwill arising on these acquisitions, 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 tables.

	Fair value €000		Fair value €000
Property, plant and equipment	5,309	Trade and other payables	4,152
Software	43	Lease liabilities	1,463
Other non-current asset	69	Deferred tax liability	1,895
Right-of-use assets	1,463	Retirement provisions	568
<b>Non-current assets</b>	<b>6,884</b>		
Inventories	273	Other provisions	324
Trade and other cash equivalents	1,839	<b>Total liabilities</b>	<b>8,402</b>
Cash and cash equivalents	2,782		
<b>Current assets</b>	<b>4,894</b>	<b>Net assets</b>	<b>3,376</b>
<b>Total assets</b>	<b>11,778</b>		
		Fair value of consideration	<b>400</b>
		<b>Bargain purchase on acquisition (note 8)</b>	<b>(3,027)</b>
		<b>Goodwill (note 13)</b>	<b>91</b>

A bargain purchase arose on the acquisition of Bretagne Routage. This arose as a fair valuation adjustment on the property amount to €2,923,000, which was the main factor for the bargain purchase.

The fair value of consideration for all these business comprised cash payments of €440,000.

The fair value of acquired trade receivables are materially equal to the gross contractual amount's receivable.

For the acquisition, revenue of €7,387,000 and EBITDA<sup>1</sup> of €414,000 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 €15,470,000 and an EBITDA<sup>1</sup> of €1,743,000.

<sup>1</sup> EBITDA is defined in note 2(s) on page 158.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

12. ACQUISITIONS (CONTINUED)

Acquisition of certain trade and assets of Service Graphics Limited

On 26 September 2022, the Group acquired certain trade and assets from Service Graphics Limited. This was acquired from a common control company; this was not deemed to be an acquisition within the scope of IFRS 3 business combination accounting.

In calculating the unrecognised fair value merger reserve adjustment 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 book value of assets and liabilities acquired are summarised in the following tables.

	Fair value €000		Fair value €000
Property, plant and equipment	808	Trade and other payables	25
Right-of-use assets	2,229	Lease liabilities	2,229
Non-current assets	3,037	Dilapidation provisions	-
Trade and other receivables	14	Income tax payable	-
Inventory	271	Total liabilities	2,254
Current assets	285		
Total assets	3,322	Net assets	1,068
		Fair value of consideration	3,306
		Unrecognised fair value reserve (Note 29)	2,238

The fair value of acquired trade receivables are materially equal to the gross contractual amounts receivable.

The fair value of consideration comprised a cash payment of €3,306,000. All acquisition costs were included in other operating costs in the income statement.

The assets was acquired to compliment the Group's existing business sector. They specialise in the design and manufacture of point of purchase and display packaging. Shelf ready packaging. Window displays and retail point of sales. The 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.

For the acquisition, revenue of €3,439,000 and an EBITDA<sup>1</sup> of €460,000 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 €5,038,000 and EBITDA<sup>1</sup> of €520,000.

<sup>1</sup> EBITDA is defined in note 2(s) on page 158.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

13. 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.

	2023 €000
Cost and carrying amount of goodwill	
At 1 July 2021	62,211
Acquisitions	11,210
Foreign currency translation	(618)
At 30 June 2022	72,803
Acquisitions	3,953
Foreign currency translation	(69)
At 30 June 2023	76,687
Goodwill by CGU	
UK, Lux, Bulgaria & IE	40,527
Western Europe	20,255
BENE	4,282
DACH & CEE	11,623
At 30 June 2023	76,687

The Group provides a range of services to our clients to improve their communications with their customers (four 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	12.8% (2022: 11.5%)	2.5% (2022: 2.5%)
Western Europe	12.4% (2022: 11.5%)	2.5% (2022: 2.5%)
DACH & CEE	11.3% (2022: 12.0%)	2.5% (2022: 2.5%)
BENE	12.5% (2022: 11.5%)	2.5% (2022: 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 exclude 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 is noted below left.

A present value of the future cash flows is calculated using a post-tax discount rate representing the Group's estimated post-tax weighted average cost of capital, adjusted to reflect risks associated with each CGU. The post-tax discount rates used are presented below left.

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 2023 (2022: €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
UKIE	28% (2022: 24%)	42%(2022: 58%)
Western Europe	17% (2022: 18%)	30% (2022: 42%)
BENE	35% (2022: 30%)	68% (2022: 65%)
DACH & CEE	21(2022: 19.0%)	55%(2022: 40%)

Management believe that any reasonable change in any of the main 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 2023

### 14. INTANGIBLE ASSETS

	Development expenditure €000	Software €000	Customer relationships €000	Licences & other intangibles €000	Total €000
<b>Financial year ended 30 June 2022</b>					
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)
<b>Net carrying value at 30 June 2022</b>	<b>733</b>	<b>18,781</b>	<b>58,837</b>	<b>19,030</b>	<b>97,381</b>
<b>At 30 June 2022</b>					
Cost or deemed cost	829	27,726	97,564	26,694	152,813
Accumulated amortisation	(96)	(8,945)	(38,727)	(7,664)	(55,432)
<b>Net book amount</b>	<b>733</b>	<b>18,781</b>	<b>58,837</b>	<b>19,030</b>	<b>97,381</b>
<b>Financial year ended 30 June 2023</b>					
Opening net book value	733	18,781	58,837	19,030	97,381
Reclassification	-	217	-	-	217
Additions	913	9,547	-	2,614	13,074
Acquisitions	279	359	2,827	760	4,225
Disposals	(645)	(2,379)	-	(59)	(3,083)
Amortisation	(275)	(7,648)	(10,120)	(5,921)	(23,964)
Exchange movements	13	55	(151)	(120)	(203)
<b>Net carrying value at 30 June 2023</b>	<b>1,018</b>	<b>18,932</b>	<b>51,393</b>	<b>16,304</b>	<b>87,647</b>
<b>At 30 June 2023</b>					
Cost or deemed cost	2,067	43,258	101,127	31,006	177,458
Accumulated amortisation	(1,049)	(24,326)	(49,734)	(14,702)	(89,811)
<b>Net book amount</b>	<b>1,018</b>	<b>18,932</b>	<b>51,393</b>	<b>16,304</b>	<b>87,647</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 15. FINANCIAL INVESTMENTS

	Investment in associates €000	Investment in joint ventures €000	Total €000
<b>Cost of valuation</b>			
<b>At 1 July 2022</b>	<b>8</b>	<b>795</b>	<b>803</b>
Disposals	(8)	(14)	(22)
Share of profits	-	97	97
Dividends received	-	(349)	(349)
Exchange movements	-	(9)	(9)
<b>At 30 June 2023</b>	<b>-</b>	<b>520</b>	<b>520</b>

At each reporting date, an assessment of fair value is undertaken by management. Following this assessment, no impairment was noted in FY23.

	Non-current assets €000	Current assets €000	Current liabilities €000	Total €000
Joint ventures	-	1,324	(804)	520
Associates	-	-	-	-
<b>At 30 June 2023</b>	<b>-</b>	<b>1,324</b>	<b>(804)</b>	<b>520</b>

	Non-current assets €000	Current assets €000	Current liabilities €000	Total €000
Joint ventures	-	1,862	(1,067)	795
Associates	1	9	(2)	8
<b>At 30 June 2022</b>	<b>1</b>	<b>1,871</b>	<b>(1,069)</b>	<b>803</b>

### 16. ASSETS HELD FOR SALE

	2023 €000	2022 €000
At 1 July 2022	17	17
Transfer from property, plant and equipment (note 11)	-	-
<b>At 30 June 2023</b>	<b>17</b>	<b>17</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 17. INVENTORIES

	2023 €000	2022 €000
Raw materials and consumables	12,484	16,024
Work in progress	12,839	16,971
Finished goods and goods for resale	7,326	5,348
	<b>32,649</b>	<b>38,343</b>

There was no write-down of inventories in either period. Inventories included in material costs in the year amounted to €393,811,000 (2022: €372,161,000).

### 18. OTHER FINANCIAL ASSETS

	2023 €000	2022 €000
<b>Trade and other receivables</b>		
Amounts receivable for the sale of goods and services	47,994	39,690
Allowance for doubtful debts	(4,641)	(4,267)
<b>Trade receivables</b>	<b>43,353</b>	<b>35,423</b>
VAT receivables	3,440	3,001
Other receivables	9,412	9,561
Amount due from related party	6,522	7,136
Accrued income	33,373	33,004
Prepayments	19,172	22,905
	<b>115,272</b>	<b>111,030</b>

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 factors. The directors consider that the carrying amount of trade and other receivables approximates their fair value. Accrued revenue is unbilled revenue with no substantive task before billing. Accrued revenue is unbilled revenue with no substantive task before billing.

	2023 €000	2022 €000
<b>Other non-current assets</b>		
Other receivables (see below)	733	664
Prepayments	9,183	860
	<b>9,916</b>	<b>1,524</b>

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 one-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 20 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 18. OTHER FINANCIAL ASSETS (CONTINUED)

The amounts noted above include all payments to be refunded after 20 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 €69,000 (2022: €50,000).

Prepayments amounting to €1,922,000 relate to long term supplier prebates, and long term IT prepayments

	2023 €000	2022 €000
Cash and cash equivalents	154,818	219,362
<b>Cash and cash equivalents</b>	<b>154,818</b>	<b>219,362</b>

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 short term deposits assets approximate their fair value at year end was €NIL (2022: €NIL). Included are restricted cash balances €7,697,000 (2022: €4,964,000) arising from the Group factoring facility.

### 19. TRADE AND OTHER PAYABLES

	2023 €000	2022 €000
Trade payables	172,305	153,401
Other taxes and social security	25,310	30,120
Holiday accrual	5,161	5,933
Amounts due to related parties	11,674	10,040
Other payables	16,023	15,242
Accruals for goods and services	30,064	40,472
Deferred and contingent consideration	12,755	305
	<b>273,292</b>	<b>255,513</b>

The deferred and contingent consideration is payable as follows:

	2023 €000	2022 €000
Within one year	12,755	305
Beyond one year	500	-
	<b>13,255</b>	<b>305</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 20. BORROWINGS

	2023 €000	2022 €000
Bank loans	44,738	56,717
Bonds	321,000	321,000
Unamortised debt issue costs	(3,409)	(4,234)
Loan with related parties	1,676	7,475
Bank overdrafts	1,854	5,602
	<b>365,859</b>	<b>386,560</b>

The borrowings are repayable as follows:

	2023 €000	2022 €000
Within one year	65,994	23,806
Between two and five years	113,865	176,548
Beyond five years	186,000	186,206
	<b>365,859</b>	<b>386,560</b>

#### Related party loans

Related party loans are payable on demand, interest rate is charged at 4.14% (2022: 1.15%) and 5.33% (2022: 2.33%) (euro denominated – to sterling companies)

#### Bank loans

The bank loans and other borrowings comprise both fixed terms and other credit facilities. €NIL (2022: €NIL) is secured on trade debtors and subject to terms and conditions as to nature, quantum and age of debtors. €7,201,000 (2022: €2,050,000) is secured on equipment. In 2020, the Group Borrowed €35,000,000 in France as part of the French State response to Covid-19. These loans are 80% guaranteed by the French State and can be repaid over five years. The balance at the end of the period was €24,465,000.

#### 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 €52m 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 was 15 December 2023.
- On 7 April 2018, the Group raised €89m 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 €139m 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 €41m 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% and 5% subject to a margin grid. This instrument meets the definition of floating charge under IFRS9. 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 seven-year life of these loan notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 21. 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 machinery €000	Total €000
<b>Financial year ended 30 June 2022</b>			
Opening net book value	55,919	24,524	80,443
Additions	6,358	5,041	11,399
Transfers	56	(56)	-
Acquisitions	8,710	5,492	14,202
Disposals	-	(121)	(121)
Modification to lease terms	(39)	(68)	(107)
Amortisation	(12,699)	(11,828)	(24,527)
Exchange movements	23	60	83
<b>At 30 June 2022</b>	<b>58,328</b>	<b>23,044</b>	<b>81,372</b>
<b>At 30 June 2022</b>			
Cost or deemed cost	80,306	38,993	119,299
Accumulated amortisation	(21,978)	(15,949)	(37,927)
<b>Net book amount</b>	<b>58,328</b>	<b>23,044</b>	<b>81,372</b>
<b>Financial year ended 30 June 2023</b>			
Opening net book value	58,328	23,044	81,372
Additions	9,849	12,607	22,456
Transfers	(209)	892	683
Acquisitions	4,071	707	4,778
Disposals	(2,397)	(1,075)	(3,472)
Modification to lease terms	20,593	82	20,675
Amortisation	(14,168)	(12,309)	(26,477)
Exchange movements	(290)	(4)	(294)
<b>At 30 June 2023</b>	<b>75,777</b>	<b>23,944</b>	<b>99,721</b>
<b>At 30 June 2023</b>			
Cost or deemed cost	111,923	52,202	164,125
Accumulated amortisation	(36,146)	(28,258)	(64,404)
<b>Net book amount</b>	<b>75,777</b>	<b>23,944</b>	<b>99,721</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 21. LEASES (CONTINUED)

Lease liabilities	Land and buildings €000	Other €000	Total €000
<b>Cost</b>			
<b>At 1 July 2021</b>	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)
<b>At 30 June 2022</b>	<b>55,313</b>	<b>23,714</b>	<b>79,027</b>
Current	13,295	10,157	23,452
Non-current	42,018	13,557	55,575
<b>At 30 June 2022</b>	<b>55,313</b>	<b>23,714</b>	<b>79,027</b>
<b>Cost</b>			
<b>At 1 July 2022</b>	55,313	23,714	79,027
Additions	9,849	8,016	17,865
Transfers	232	1,003	1,235
Acquisitions	4,071	707	4,778
Disposals	(2,391)	(1,075)	(3,466)
Interest	2,268	752	3,020
Modification to lease terms	20,786	(112)	20,674
Repayments	(16,833)	(11,549)	(28,382)
Exchange movements	(194)	(54)	(248)
<b>At 30 June 2023</b>	<b>73,101</b>	<b>21,402</b>	<b>94,503</b>
Current	12,659	8,917	21,576
Non-current	60,442	12,485	72,927
<b>At 30 June 2023</b>	<b>73,101</b>	<b>21,402</b>	<b>94,503</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 21. LEASES (CONTINUED)

#### Amounts recognised in the Consolidated Income Statement

The Consolidated Income Statements include the following amount relating to leases:

	2023 €000	2022 €000
<b>Amortisation charges</b>		
Right-of-use assets	26,488	24,527
<b>Finance costs</b>		
Interest on lease liabilities	3,020	2,319
<b>Operating expenses</b>		
Expenses relating to short-term lease	25	29
Expenses relating to lease of low value assets	117	212
Expenses relating to variable lease payments not included with lease liabilities	1,457	1,521
<b>Operating income</b>		
Sublease rental income	(352)	(470)
<b>Lease charges</b>	<b>1,247</b>	<b>1,292</b>

As at 30 June 2023, 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	14,401	9,631	24,032
After one year but not more than five years	39,651	13,859	53,510
After five years	23,045	413	23,458
<b>Total undiscounted cashflows</b>	<b>77,097</b>	<b>23,903</b>	<b>101,000</b>

As at 30 June 2022, 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
<b>Total undiscounted cashflows</b>	<b>61,272</b>	<b>26,662</b>	<b>87,934</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

21. 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 ended).

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, and significant events within our control
- If there are significant penalties to end (or not to extend), the Group is typically reasonably certain to extend (or not end)
- Strategic importance of the asset to the Group
- Past practice
- 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 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 12 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 €7,000 (2022: €16,000) for short term leases and €45,000 (2022: €162,000) 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 2023

22. DEFERRED INCOME

Amounts recognised in the Consolidated Income Statement

The Consolidated Income Statement includes the following amount relating to leases:

	2023 €000	2022 €000
Advanced billing and other deferred income	5,573	5,930
Government grants	6	79
Deferred gains on property sale and leaseback	355	478
	<b>5,934</b>	<b>6,487</b>
Within one year	5,653	6,010
Beyond one year	281	477
	<b>5,934</b>	<b>6,487</b>

Advance billings and other deferred income are current and will be recognised as revenues and collected in the next 12 months.

Government grants	2023 €000	2022 €000
At 1 July	79	142
Released during the year	(71)	(65)
Foreign exchange movements	(2)	2
Proceeds from government grants received	-	-
<b>At 30 June</b>	<b>6</b>	<b>79</b>

The above grants have 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 2023

### 23. PROVISIONS

	Retirement €000	Restructuring €000	Dilapidations €000	Other €000	Total €000
Balance 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 during the period	295	431	(310)	362	778
Interest charged during the year	–	–	72	–	72
Acquisitions (predecessor)	347	(400)	–	(532)	(585)
Acquisitions (note 11)	–	–	409	804	1,213
<b>Balance as at 30 June 2022</b>	<b>7,045</b>	<b>1,914</b>	<b>4,239</b>	<b>3,465</b>	<b>16,663</b>
Actuarial movements	–	–	–	–	–
Utilised during the period	(169)	(901)	(578)	(2,642)	(4,290)
Exchange movements	(4)	(13)	(23)	(32)	(72)
Charge (credit) during the period	454	6,347	(161)	389	7,029
Interest charged during the year	–	–	76	–	76
Reclassification	–	192	264	(456)	–
Acquisitions (note 11)	2,396	–	–	344	2,740
<b>Balance as at 30 June 2023</b>	<b>9,722</b>	<b>7,539</b>	<b>3,817</b>	<b>1,068</b>	<b>22,146</b>
Current	1,889	5,704	129	981	8,703
Non-current	7,833	1,835	3,688	87	13,443
<b>Balance as at 30 June 2023</b>	<b>9,722</b>	<b>7,539</b>	<b>3,817</b>	<b>1,068</b>	<b>22,146</b>

#### 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 12 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 people affected, a detailed estimate of the associated costs and an appropriate timeline and the colleagues 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 12 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 12 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 2023

### 24. DEFERRED TAX

	2023 €000	2022 €000
Deferred tax assets	13,791	10,005
Deferred tax liabilities	(8,680)	(8,079)
<b>Net Deferred tax asset/(liabilities)</b>	<b>5,111</b>	<b>1,926</b>
Asset/(Liabilities) at the beginning of period	1,926	1,121
Revaluation of land & buildings	–	(2,220)
Credit to the Consolidated Income Statement	5,638	1,839
Right-of-use asset addition	–	(141)
Credit/(charge) to the Consolidated Income Statement of Comprehensive Income	–	–
	–	–
Acquisitions	(2,607)	1,341
Exchange rate differences	154	(14)
<b>Assets at the end of period</b>	<b>5,111</b>	<b>1,926</b>

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 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	1,488	(147)	–	–	1,341
Items taken direct to equity	–	–	–	–	–
<b>Balance at 30 June 2022</b>	<b>3,768</b>	<b>(13,106)</b>	<b>8,470</b>	<b>2,794</b>	<b>1,926</b>
Credit to the Consolidated Income Statement	268	732	6,137	(1,499)	5,638
Right-of-use asset addition	–	–	–	–	–
Revaluation of property	–	–	–	–	–
Acquisitions	(1,895)	(712)	–	–	(2,607)
Items taken direct to equity	–	–	–	154	154
<b>Balance at 30 June 2023</b>	<b>2,141</b>	<b>(13,086)</b>	<b>14,607</b>	<b>1,449</b>	<b>5,111</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. DEFERRED TAX (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 €49,213,000 (2022: €48,835,000) that are available indefinitely for offset against future taxable profits and €33,673,000 (2022: €34,711,000) of tax losses and other temporary differences arising in overseas territories that are available to carry forward indefinitely and tax losses of €Nil (2022: €Nil) which are due to expire within five years.

Deferred tax assets are recognised to the extent that it is probable (or “more likely than not”) that sufficient taxable profits will be available to utilise the carry forward of unused tax losses. The Group has €13,819,000 (2022: €12,000,000) at the tax rate, worth of deferred tax losses not recognised. The Group has recognised deferred tax asset on losses of €14,607,000 (2022: €8,500,000).

The Group is in control of its future distribution policy. As no future distributions are planned no deferred taxes have been calculated on any potential withholding taxes that could arise on distributions.

In recognising the deferred tax asset, management have reviewed the forecast for each of the subsidiaries for which a deferred tax asset has been recognised and are satisfied that sufficient taxable profits are forecast and available to utilise the asset. In making this assessment, management note that historic losses are reflective of acquisition and restructuring activity, including the hive-up of operations. Further, the duration of customer relationships and current trading performance support the recognition of the asset. Forecasts used in making this assessment are consistent with those used for other areas of estimation within these financial statements.

25. 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.

	Pensions costs charges		Contribution amounts payable	
	2023 €000	2022 €000	2023 €000	2022 €000
UK	5,377	4,796	562	1,498
The Netherlands	1,075	1,168	-	-
Poland	100	103	-	9
Ireland	246	144	1	-
Germany	145	91	-	51
Italy	16	16	-	-
	6,959	6,318	563	1,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. RETIREMENT BENEFIT (CONTINUED)

Defined benefit scheme – Germany:

A subsidiary company operates two final salary defined benefit pension plans.

Allianz scheme:

The most recent formal actuarial valuation for the first plan, ‘Allianz scheme’ was carried out as at 30 June 2023. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2023 per annum	2022 per annum
Discount rate	3.80%	3.20%
Expected rate of inflation	0.00%	0.00%
Rate of increase of pensions in payment	0.00%	0.00%

Demographic assumptions

	2023	2022
Mortality	Richttafeln 2018 G Von Klaus Huebeck	Richttafeln 2018 G Von Klaus Huebeck

	2023		2022	
	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

The amount recognised in the Consolidated Statement of Financial Position for the Group's German defined benefit scheme assets is as follows:

	2023 €000	2022 €000
Present value of funded obligations	(466)	(121)
Fair value of scheme assets	605	157
Year-end assets	139	36



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 25. RETIREMENT BENEFIT (CONTINUED)

The amount recognised in the Consolidated Statement of Financial Position for the Group's German defined benefit scheme assets is as follows:

	2023 €000	2022 €000
Present value of funded obligations	(2,030)	(2,166)
Fair value of scheme assets	1,733	1,768
<b>Year-end liability</b>	<b>(297)</b>	<b>(398)</b>

Amounts recognised in the Consolidated Income Statement for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Service cost	(10)	(15)
Interest charge on obligation	(68)	(35)
Interest income from scheme assets	55	29
	<b>(23)</b>	<b>(21)</b>

Amounts recognised in other Comprehensive Income for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Actuarial gain/(loss) on defined benefit obligation	123	664
Actual return on assets	(13)	(535)
	<b>110</b>	<b>129</b>

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 €110,000 (2022: €483,000).

Changes in the present value of defined benefit obligations are as follows:

	2023 €000	2022 €000
Opening defined benefit obligation	2,166	2,879
Service cost	10	15
Interest cost	68	35
Actuarial (gains)/losses	(123)	(664)
Benefits paid	(91)	(99)
<b>Closing defined benefit obligation</b>	<b>2,030</b>	<b>2,166</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

### 25. RETIREMENT BENEFIT (CONTINUED)

Changes in the fair value of scheme assets are as follows:

	2023 €000	2022 €000
Opening fair value of scheme assets	157	265
Interest income/(cost)	4	9
Actual return on plan assets	7	(75)
Interest on effect of asset ceiling restriction	492	-
Benefits paid	(55)	(42)
<b>Closing fair value of scheme assets</b>	<b>605</b>	<b>157</b>

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	2023 €000	2022 €000
Bonds	605	157
	<b>605</b>	<b>157</b>

The history of the scheme for the period since acquisition is as follows:

	2023 €000	2022 €000
Fair value of scheme assets	605	157
Present value of defined benefit obligations	(466)	(121)
<b>Net gain</b>	<b>139</b>	<b>36</b>

The last actuarial valuation of the plan was performed by the Actuary for the Trustees as at 30 June 2023

	2023 €000	2022 €000
Sensitivity analysis		
Discount rate	0.5%/-0.5%	0.02%/-0.02%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. 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 2023.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2023 per annum	2022 per annum
Discount rate	3.80%	3.20%
Expected rate of inflation	3.80%	3.20%
Salary increase	3.00%	3.00%
Rate of increase of pensions in payment	2.00%	1.50%

Demographic assumption

	2023	2022
Mortality	Richttafeln 2018 G Von Klaus Huebeck	Richttafeln 2018 G Von Klaus Huebeck

	2023		2022	
	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 a 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 2023

25. RETIREMENT BENEFIT (CONTINUED)

The amount recognised in the Consolidated Statement of Financial Position for the Group's German defined benefit scheme assets is as follows:

	2023 €000	2022 €000
Present value of funded obligations	(2,030)	(2,166)
Fair value of scheme assets	1,733	1,768
<b>Year-end liability</b>	<b>(297)</b>	<b>(398)</b>

Amounts recognised in the Consolidated Income Statement for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Service cost	(10)	(15)
Interest charge on obligation	(68)	(35)
Interest income from scheme assets	55	29
	<b>(23)</b>	<b>(21)</b>

Amounts recognised in other Comprehensive Income for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Actuarial gain/(loss) on defined benefit obligation	123	664
Actual return on assets	(13)	(535)
	<b>110</b>	<b>129</b>

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 €110,000 (2022: €483,000).

Changes in the present value of defined benefit obligations are as follows

	2023 €000	2022 €000
Opening defined benefit obligation	2,166	2,879
Service cost	10	15
Interest cost	68	35
Actuarial (gains)/losses	(123)	(664)
Benefits paid	(91)	(99)
<b>Closing defined benefit obligation</b>	<b>2,030</b>	<b>2,166</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. RETIREMENT BENEFIT (CONTINUED)

Changes in the fair value of scheme benefits assets are as follows:

	2023 €000	2022 €000
Opening fair value of scheme assets	1,768	2,358
Interest income	55	29
Contribution by employer	14	12
Actual return	(13)	(535)
Benefits paid	(91)	(96)
Closing fair value of scheme assets	1,733	1,768

The fair value of the scheme assets at the Consolidated Statement of Financial Position date is analysed as follows:

	Value at 30 June 2023 €000	Value at 30 June 2022 €000
Bonds	1,733	1,768
	1,733	1,768

The history of the scheme for the period since acquisition is as follows:

	2023 €000	2022 €000
Fair value of scheme assets	1,733	1,768
Present value of defined benefit obligations	(2,030)	(2,166)
Net deficit	(297)	(398)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. 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 2023. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2023 €000	2022 €000
Discount rate	3.8%	3.00%
Expected rate of inflation	0.00%	0.00%
Expected rate of salary increases	3.00%	2.25%
Rate of increase of pensions in payment	1.50%	1.50%

Demographic assumptions

	2023 €000	2022 €000
Mortality	Richttafeln 2018 G Von Klaus Huebeck	Richttafeln 2018 G Von Klaus Huebeck

	2023		2022	
	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 a 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 2023

25. RETIREMENT BENEFIT (CONTINUED)

The amount recognised in the Consolidated Statement of Financial Position for the Group's German defined benefit scheme assets is as follows:

	2023 €000	2022 €000
Present value of defined funded obligations	(3,845)	(3,925)
<b>Year-end liability</b>	<b>(3,845)</b>	<b>(3,925)</b>

This is an unfunded scheme, obligations are to be funded from current operations. Pension payments are expected to begin in eight years. Amounts recognised in the Consolidated Income Statement for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Service cost (note 5)	(53)	(61)
Interest charge on obligation (note 7)	(108)	(50)
	<b>(161)</b>	<b>(111)</b>

Amounts recognised in other Comprehensive Income for the defined benefit scheme are as follows:

	2023 €000	2022 €000
Actuarial gain/(loss) on defined benefit obligation	104	431
	<b>104</b>	<b>431</b>

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 €163,000 (2022: €553,000).

Changes in the present value of defined benefit obligations are as follows:

	2023 €000	2022 €000
Opening defined benefit obligation	3,925	4,292
Service cost	53	61
Interest cost	108	50
Actuarial (gains)/losses	(104)	(431)
Acquisitions/Divestitures	(58)	-
Benefits paid	(79)	(47)
<b>Closing defined benefit obligation</b>	<b>3,845</b>	<b>3,925</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. RETIREMENT BENEFIT (CONTINUED)

The history of the scheme for the period since acquisition is as follows:

	2023 €000	2022 €000
Present value of defined benefit obligations	(3,845)	(3,925)
<b>Net deficit</b>	<b>(3,845)</b>	<b>(3,925)</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

26. 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 on page 197 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, have 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's bad debt risk.

Reporting of financial risks fair values

The carrying value approximates fair value for all financial assets and liabilities, other than those associated with the Group's borrowings 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.

Contingent 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.

Deferred consideration

Deferred consideration is initially based on the present value of the expected payment, discounted using an appropriate market discount rate at the reporting date. It is subsequently measured at amortised cost.

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 2023

26. 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 1 year €000	Due between 2 and 5 years €000	Due in more than 5 years €000	Total undiscounted cash flows €000	Impact of discounting and netting €000	Carrying amount €000
30 June 2023							
Non derivative financial liabilities							
Lease liabilities	Level 2	30,255	78,145	33,734	142,134	(47,571)	94,563
Borrowings	Level 2	77,726	153,762	197,599	429,087	(63,228)	365,859
Trade and other payables	Level 2	235,227	-	-	235,227	-	235,227
Deferred consideration	Level 2	12,755			12,755	-	12,755
Contingent consideration	Level 3	500	-	-	500	-	500
		356,463	231,907	231,333	819,703	(110,799)	708,904

Sensitivity analysis

The significant unobservable input used in the fair value of measurement of deferred consideration payable is future incremental EBITDA<sup>1</sup>. A significant decrease in EBITDA<sup>1</sup> 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<sup>1</sup> targets.

		Due within 1 year €000	Due between 2 and 5 years €000	Due in more than 5 years €000	Total undiscounted cash flows €000	Impact of discounting and netting €000	Carrying amount €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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk: Exposure to currency risk

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
Currency				
Sterling	1.15	1.18	1.16	1.17
Swedish Krona	0.09	0.10	0.08	0.09
Norwegian Kroner	0.09	0.10	0.09	0.10
Romanian Leu	0.20	0.20	0.20	0.20
Polish Zloty	0.21	0.22	0.22	0.21
Czech Koruna	0.04	0.04	0.04	0.04
Australian Dollar	0.64	0.64	0.61	0.66
US Dollar	0.96	0.89	0.92	0.96
Hong Kong Dollar	0.12	0.11	0.12	0.12
Indian Rupee	0.01	0.01	0.01	0.01
Bulgarian Lev	0.51	0.51	0.51	0.51
Canadian Dollar	0.71	0.70	0.69	0.75
China Renminbi	0.14	0.14	0.13	0.14

Sensitivity analysis

A 10% weakening of these currencies at 30 June 2023 and 30 June 2022 would have had the following effect on profit on ordinary activities before tax:

	2023 €000	2022 €000
Sterling	(1,439)	(1,518)
Swedish Krona	(17)	(17)
Polish Zloty	138	(138)
Czech Koruna	(102)	15
Romanian Leu	(68)	-
US Dollar	13	13
Bulgarian Lev	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

26. 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

	2023 €000	2022 €000
Euro	127,282	168,821
Sterling	24,710	48,010
US Dollar	1,942	1,212
Romanian Leu	47	47
Swedish Krona	237	672
Polish Zloty	591	591
Czech Koruna	5	5
Indian Rupee	3	3
Bulgarian Lev	1	1
	154,818	219,362

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at floating rates on EURIBOR, LIBOR or equivalent measures.

Financial liabilities subject to interest rate risk

	2023 €000	2022 €000
Euro bank and bond borrowings	362,682	377,717
Czech Koruna bank borrowings	1,501	404
	364,183	378,121



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity analysis

The analysis shows the extra charge to the 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.

	2023 €000	2022 €000
100% movement in 3 month EURIBOR and LIBOR	764	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

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 Plc payment. 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 ageing of trade receivables or extension of debtor days in the year. Notwithstanding this, the global financial uncertainty arising from the the war in Ukraine, has resulted in an increase in the expected credit loss rate, and therefore 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 economic environments.

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 €3,930,000 is in place for trade receivables of €46,563,000. Outstanding customer balances are regularly monitored and reviewed for indicators of impairment to find out 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 2023

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Loss allowances determined as follows for trade receivables:

	Current €000	1 to 90 days past due €000	More than 90 days past due €000	2023 Total €000	Current €000	1 to 90 days past due €000	More than 90 days past due €000	2022 Total €000
Gross carrying amount	21,279	20,916	5,760	47,955	31,286	7,008	1,396	39,690
Loss allowance	144	1,129	3,368	4,641	18	2,853	1,396	4,267
ECL%	1%	5%	58%	10%	0%	41%	100%	11%

Movement in the allowance for doubtful debts

	2023 €000	2022 €000
Balance at beginning of period	4,267	4,364
Impairment provisions	1,164	1,226
Amounts written-off as uncollectible	(639)	(1,298)
Foreign exchange movements	7	14
Impairment provisions reversed	(158)	(39)
Balance at end of period	4,641	4,267

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operation 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 three to five 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 holder 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 2023

27. ISSUED SHARE CAPITAL

	No.	2023 €000	No.	2022 €000
Allotted, called up and fully paid				
Ordinary shares of €1 each	240,407,210	240,407	240,407,210	240,407

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

28. RESERVES

Revaluation reserve

The revaluation reserve arose on the revaluation of all the Group property portfolio during the year ended 20 June 2022. Movement during the year is €199,000.

	2023 €000	2022 €000
Revaluation reserve	5,662	5,861

Cumulative translation 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.

	2023 €000	2022 €000
Cumulative translation reserve	(1,779)	(1,809)

Retained earnings

This reserve records the cumulative amount of profits and losses less any dividend distributions made.

	2023 €000	2022 €000
Retained earnings	(15,184)	26,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

28 RESERVES (CONTINUED)

Dividends paid

	2023 €000	2022 €000
Dividends declared and paid in the year	-	50,000

The dividend was paid on 4 August 2021, to the parent company of PCC Global Plc.

29. UNRECOGNISED FAIR VALUE MERGER RESERVE  
(predecessor accounting)

Unrecognised fair value merger reserve

This reserve records the cumulative amount of the impact of predecessor accounting.

	2023 €000	2022 €000
Unrecognised fair value merger reserve	(330,420)	(328,182)

Management have 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.

30. CAPITAL AND OTHER COMMITMENTS

	2023 €000	2022 €000
Capital expenditure contracted but not provided	-	-

31. CONTINGENT LIABILITY

During this year, one of our clients unilaterally moved to dissolve and end our contract with them based on their view that deliveries were delayed. We fundamentally disagree with this decision and with the dissolution. We are currently in a dispute with the client and we have not yet reached a mutually acceptable solution. The outcome of this dispute is uncertain and at the time of filing our annual accounts, cannot be reliably estimated.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. RELATED PARTY TRANSACTION

Subsidies, joint ventures and associates

The Consolidated Financial Statements included the financial statements of the company and its subsidiaries, joint ventures and associates as documented in the accounting policies on page 154. The Group's principal subsidiaries, joint ventures and associates are disclosed on pages 206 to 208.

Parent company and other parent group undertakings

Transactions and year-end balances with parent undertakings and its other parent subsidiaries were:

	2023 €000	2022 €000
Sales	10,099	7,152
Purchases	1,263	321
Corporate fees	8,205	7,416
Interest (income)/expense	(916)	(35)
Amount due from parent company and other parent group undertakings	5,820	7,136
Loan receivable from parent company and other parent group undertakings	21,880	14,648
Amount owed to parent company and other parent group undertakings	11,674	10,040
Loan owed to parent company and other parent group undertakings	1,676	7,475

Corporate fees and interest expenses are with a parent taking, Grenadier Holdings Limited. Interest income is with two property companies which are owned by the parent.

Joint ventures

Transactions and year-end balances with joint ventures were:

	2023 €000	2022 €000
Sales	5,817	4,781
Purchases	-	1
Amounts due from joint ventures	702	715
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 2023

32. 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. In 2022, the roles which were determined as key management personnel were the Board. During the year 2023, the Board made the decision to redefine key management personnel to include CEOs of each region and Group CFO. The aggregate cost of employing all key management personnel was €3,718,000 (2022: €1,214,000)

33. 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 July 2023, the Group acquired the share capital of TDM.LOG SAS. The consideration amounted to €167,000. It has annual turnover of €3,000,000.

On 6 October 2023, PCC Global PLC entered into a €50,000,000 term loan for three years. On this day it also entered into a €130,000,000 RCF (Revolving Credit Fund).

On 6 October 2023, PCC Global PLC repaid €52,000,000 loan notes early. The original repayment date was 15 December 2023.

34. 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 2023

35. LIST OF ALL UNDERTAKINGS

Details of the investments in which the Group or the company holds at least 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	50%	(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%		PCC
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
Gresset Rault Solutions SAS	France	Ordinary	100%	(11)	PCC
Paragon Customer Communications Germany GmbH	Germany	Ordinary	100%	(12)	PCC
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

35. 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
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
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 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 (UK) 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.á.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
DSICMM (Nottingham) Limited	England	Ordinary	100%	(6)	PCC
DSICMM (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 2023

35. 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
CFBS SAS	France	Ordinary	100%	(1)	PCC
MINC Groupe BV	Netherlands	Ordinary	100%	(11)	PCC
Bretagne Routage SAS	France	Ordinary	100%	(1)	PCC
PE PACA SAS	France	Ordinary	100%	(9)	PCC
Joint ventures					
dsi Billing Services Limited	England	Ordinary	50%	(8)	PCC
Associates					

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

(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 2022  
TO 30 JUNE 2023



PARENT COMPANY STATEMENT OF FINANCIAL POSITION

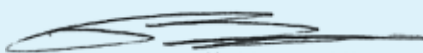
For the year ended 30 June 2023

	Notes	2023 €000	2022 €000
<b>Assets</b>			
Non-current assets			
Intangible assets		1,456	2,165
Deferred tax assets		4,442	1,998
Long term receivable		62,939	62,939
Shares in Group undertakings	5	419,441	394,441
		<b>488,278</b>	<b>461,543</b>
<b>Current assets</b>			
Trade and other receivables	6	44,160	80,674
Cash and cash equivalents	6	44,597	51,071
		88,757	131,745
<b>Total assets</b>		<b>577,035</b>	<b>593,288</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		13,907	12,743
Borrowings - third party		52,000	-
		65,907	12,743
<b>Non-current liabilities</b>			
Borrowings - third party		265,478	317,581
Long term trade payables	8	5,390	10,193
		270,868	327,774
<b>Total liabilities</b>		<b>336,775</b>	<b>340,517</b>
<b>Net sssets</b>		240,260	252,771
Equity			
Share capital	9	240,407	240,407
Capital reserve		142	142
Cumulative translation reserve		(3)	(3)
Retained earnings		(286)	12,225
<b>Total equity</b>		<b>240,260</b>	<b>252,771</b>

As permitted by Section 408 of the Companies Act 2006, no Income Statement account of the company is included in these financial statements. The company accounts are prepared based on FRS101. The loss for the financial period for the company was €12,511,000 (2022: loss of €13,239,000).

These financial statements were approved by the Board of Directors on 20 December 2023 and signed on its behalf by:

Jeremy Walters  
Director



Martin Edstrom  
Director



PARENT STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Share capital €000	Capital reserve €000	Retained earnings €000	Cumulation translation reserve €000	Total equity €000
Balance as at 1 July 2022	240,407	142	12,225	(3)	252,771
Loss for the year	-	-	(12,511)	-	(12,511)
<b>Balance at 30 June 2023</b>	<b>240,407</b>	<b>142</b>	<b>(286)</b>	<b>(3)</b>	<b>240,260</b>

For the period 30 June 2022

	Share capital €000	Capital reserve €000	Retained earnings €000	Cumulation 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)	-	(13,239)
Dividend paid during year			(50,000)		(50,000)
<b>Balance at 30 June 2022</b>	<b>240,407</b>	<b>142</b>	<b>12,225</b>	<b>(3)</b>	<b>252,771</b>



# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2023

## 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 Euros 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 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 for 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 Paragon Group has performed an assessment of going concern by reviewing the Group's cash position, available banking facilities and financial forecasts for the remainder of 2023 and 2024, including the ability to adhere to banking covenants. In doing so, the directors have considered the uncertain nature of the current local economies, 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 2023 financial year and has remained profitable and cash generative which further underlines the resilience and adaptability of the business during this difficult time.

The financial statements of the company are prepared on a going concern basis, refer to Group accounting policies on page 150 for a description of the basis of preparation.

### 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 less amortisation. These assets are amortised on a straight line basis over their estimated useful lives, which is generally three to five years.

### 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 on 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 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 less than 3 month 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 Effective Interest Method (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 Euros 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 Euros 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 Euros as the majority of the company's transactions are denominated in Euros.

### 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 main 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 €12,572,000 (2022: loss of €13,239,000). This includes a loss on disposal of intangible asset of €2,344,147 during the year to a related party.

## 3. AUDITOR'S REMUNERATION

Fees paid to the auditors for their audit of the company were €Nil (2022: €Nil). These fees were borne by another Group entity.



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. STAFF COSTS

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

	2023 No.	2022 No.
Administration	8	9
	8	9

Their aggregate remuneration comprised:

	2023 No.	2022 No.
Wages and salaries	2,843	2,729
Social security costs	270	235
Other pension costs	38	52
	3,151	3,016

5. SHARE IN GROUP UNDERTAKINGS

During the year the company converted a partial amount of €25,000,000 into share capital of one of its subsidiaries. The company now has an investment of €419,441,000 (2022: €394,441,000).

6. OTHER FINANCIAL ASSETS

Trade and other receivables Long term assets	2023 €000	2022 €000
Amounts owed by Group undertakings	62,939	62,939
	62,939	62,939

Current assets	2023 €000	2022 €000
Amounts owed by Group undertakings	41,355	76,007
Other taxes	-	824
Prepayments and accrued income	2,805	3,843
	44,160	80,674

The company has restated 2022 balance sheet, as there was an agreement in place that amount owed by Group undertakings for an amount of €62,939,000 was not for repayment until 30 September 2025, previously incorrectly reported as short term asset, there was no impact on net assets.

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The amounts due from Group undertakings short term are unsecured and are subject to the Group's standard terms of trade of 30 days.

Cash and cash equivalents	2023 €0	2022 €0
Cash and cash equivalents	44,597	51,071

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.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 €000	2022 €000
Trade creditors	1,633	2,151
Amounts owed to Group undertakings	1,017	544
Accruals	11,257	10,048
	13,907	12,743

8. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

Long term payables	2023 €000	2022 €000
Amounts owed to Group undertakings	5,390	10,193
	5,390	10,193

An unamortised debt issue cost of €3,419,000 was reclassified in the 2022 balance sheet to offset against borrowings, as it had been incorrectly classified as a long term trade payable in prior year accounts, there was no impact on the total non current liabilities or net assets.

9. ISSUED SHARE CAPITAL

	No.	2023 €	No.	2022 €
Allotted, called up and fully paid				
Ordinary shares of €1 each	240,407,210	240,407	240,407,210	240,407





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