

REGISTERED NUMBER: 01006371 (England and Wales)

COMMUNISIS UK LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021



COMMUNISIS UK LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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COMMUNISIS UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS:

Mr T A Burgham
Mr P D Hoggarth

REGISTERED OFFICE:

Communis House
Manston Lane
Leeds
LS15 8AH

REGISTERED NUMBER:

01006371 (England and Wales)

AUDITORS:

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

COMMUNISIS UK LIMITED**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their Strategic Report of the Company for the year ended 31 December 2021.

REVIEW OF BUSINESS**Strategy and Implementation**

Communis UK Limited is an integrated business services company with the mission to drive client value and sustainable profit improvement, through the provision of increasingly digitally enabled solutions for regulated transactional communication and marketing execution.

Towards the end of 2020, the senior leadership team was refreshed, and throughout 2021, as the impact of the coronavirus pandemic (COVID-19) has started to subside, a refreshed strategy was put in place outlining the new strategic business objectives. As a result of this, on the 30 December 2021, the Group entered into a 5-year contract with a multinational Technology and Business Process Outsourcing organisation. The primary objective of which is to enable the business to accelerate its digital transformation to enhance the provision of new innovative omni-channel services to our customers and to continue to provide our customers with safe and secure services in the rapidly changing digital security landscape.

The Group has however continued to focus on streamlining operations by introducing further automation into the production sites and investing in refreshing the high-speed Inkjet presses.

RESULTS

The coronavirus pandemic has continued to adversely impact the Group's trading performance in 2021. For the year ended 31 December 2021, the Company generated revenues of £137,546,000 (2020 £163,357,000 being a 15.8% decline on the previous year). The most significant impact on revenues was recorded across the Transactional Print business. This fell by 20.1% compared to the prior year due to reduced volumes driven by lower end-customer demand and our banking customers accelerating their migration to more digital solutions, both primarily the result of the pandemic.

Despite the decline in trading, the Company continued to benefit from cost savings, primarily from the corrective actions taken to rightsize the business in 2020. As a result, the Company generated EBITDA of £11,123,000 (£17,679,000 of adjusted EBITDA) for the year ended 31 December 2021. This compares to EBITDA of £7,191,000 (£22,277,000 of adjusted EBITDA) for the prior year.

Key Performance Indicators

	2021	2020
Total turnover (£000s)	137,546	163,357
Profit from operations before exceptional items (£000s)*	4,915	9,285
Operating margin before exceptional items (%)	3.6%	5.7%
(Loss)/profit before taxation (£000s)**	(1,578)	(9,302)
EBITDA (£000)	11,123	7,191
Adjusted EBITDA (£000)*	17,679	22,277

*Profit from operations before exceptional items is calculated by excluding material and infrequently occurring gains and losses. For adjusted EBITDA these exceptional items are added back

**Profit before taxation is calculated after all exceptional items.

COMMUNISIS UK LIMITED**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****PRINCIPAL RISKS AND UNCERTAINTIES**

The Board is accountable for ensuring the identification and appropriate management of risks faced by the Company. The Company Risk function includes overseeing the effectiveness of the internal control environment and its ongoing risk management programme. The Communisis Risk Framework is designed to identify, evaluate and manage risks faced by the business in line with the Company's Risk Policy Statement. Risk management is about resilience, sustainable growth, and profitability enhancement - if done correctly it can be a key source of competitive advantage. The aim of the Company's Risk Framework is therefore to improve the awareness of the impacts of risk if they were to materialise, reduce the frequency of damaging events occurring and minimise the severity of the consequences should they occur.

Part of the approach to mitigating risk includes the business operating in line with certification to number of standards, this helps the business to work to legal, regulatory and contractual requirements. All business areas are required to demonstrate that they identify, understand and assess risks within their area and develop mitigating actions in line with the relevant risk appetite statement. Risks are assessed using a standard scoring matrix and Red, Amber, Green (RAG) rating through a risk and control self-assessment process with the Risk Team providing challenge and support. In addition, the Board has identified risks which are seen to pose a potential threat to the Company, and these are reviewed at least annually but also monitored more regularly by the Risk team to ensure the likelihood of them materialising is not increasing.

The risks which are considered to sit at Company level and therefore form the 'principal risks and uncertainties' facing Communisis are detailed below.

Risk Area	Impact	Mitigating Actions and Management
The Company must be able to respond to market and technological change including that caused by the COVID-19 pandemic	<p>Communication methods are constantly changing, and the Company must keep up in an environment where digital transformation requires significant investment. Clients are increasingly exploring ways to drive value through digital solutions at the expense of physical communication methods. This is a position that has been exacerbated by the pandemic. If the Company is unable to adapt quickly enough, there is a risk that the financial results could be materially impacted.</p> <p>There is also, rightly, a significant focus on the environmental impact with the entire supply chain. Should Communisis be unable to meet with our clients' increasing requirements, there is a risk that clients will be unwilling to trade with the Company.</p>	<ul style="list-style-type: none"> - Maintenance of a strong supply chain to ensure physical product can be procured at the right price while service standards are maintained - Focus on partnerships with key technology providers to enhance the Company's competitive position, support resilience of systems and enhance technical skillsets - Product development and management activities in place to support the development of new products and services - Understanding and where appropriate leverage product synergies through the wider OSG Group - Focus on working with FMCG clients to expand service provision into the territories where for we have a presence by virtue of another client - Investment in CSR agenda and activities through understanding and aligning the purpose of the business to targeted improvements and measures. <p><i>Please also see below for COVID-19 specific impacts</i></p>
Inability to absorb or pass on increases in raw materials, energy and other overheads	<p>Following the COVID-19 pandemic and the war in Ukraine in 2022, the costs of raw materials, transportation and energy have seen significant increases.</p> <p>If the Group is unable to mitigate or recover these costs, there is a risk that profitability and cashflow will be adversely impacted and hence reduce the Group's ability to progress with the transformation programme as quickly as expected.</p>	<ul style="list-style-type: none"> - The Group has appointed an experienced Transformation Director and transformation team to oversee activities related to all workstreams with steering at Board level - The Group has robust risk and incident management processes in place to understand and mitigate impacts of any issues.

COMMUNISIS UK LIMITED

STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Risk Area	Impact	Mitigating Actions and Management
Safeguarding of data and Cyber risk	The Company processes personal data both as a controller (for its own purposes) and on behalf of clients as part of the services provided. A failure to maintain a secure and fully functional environment could result in an inability to meet contractual or regulatory obligations.	<ul style="list-style-type: none"> - Focus on partnerships with key technology providers to enhance the Company's competitive position. Support resilience maintains stability of systems and takes advantage of current technologies - Investment in, security and monitoring to maintain and enhance the effectiveness of, controls aligned with an improvement 'roadmap' - Information security standards working to recognised ISO27001. Enhanced standards remain under review for cloud adoption as this delivery develops as do other relevant accreditations - Regular monitoring for changing legislation across the UK and wider Group jurisdictions.
Existing client concentration may mean that the loss of a major client could materially impact the business	A substantial percentage of the Company's revenues are derived from a relatively small number of clients, therefore the loss of one or more of these clients could have a material impact on the Company's finances resulting in a material decrease in profitability.	<ul style="list-style-type: none"> - A strategic account management programme operates to preserve client relationships and monitor compliance with contractual agreements - Business development activities continue to promote the Company's services in a broad range of market sectors, reducing the historical reliance on the financial services sector - Long-term client relationships and associated contractual commitments are developed - Focus is maintained on contracts due to renew in the near future and proactive strategies implemented to maintain these - The Company scans horizon for any strategic fit M&A opportunity to broaden the client base and reduce the reliance on a small number of high value clients.
Change Risk	The Company is embarking on a transformation change programme aimed at enhancing growth and simplifying processes in conjunction with technology and other partners. There is a risk that elements of change could fail causing incidents and/or the assumptions of the business case could be incorrect materially impacting profitability.	<ul style="list-style-type: none"> - The Company has appointed an experienced Transformation Director to oversee activities related to all workstreams with steering at Board level - The Company has robust risk and incident management processes in place to understand and mitigate impacts of any issues.
Risk of material reduction in operating profit as a result of exchange rate fluctuations and/or local economic instability within UK	Macro-economic issues could detrimentally affect the Company either directly or indirectly through client behaviours	<ul style="list-style-type: none"> - Supply chains are actively monitored with multiple suppliers in place where appropriate and where possible provision made in client contracts for significant fluctuations in commodity pricing - Volume erosion protection is included in contract terms where possible.

COMMUNISIS UK LIMITED**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****PRINCIPAL RISKS AND UNCERTAINTIES – continued**

Risk Area	Impact	Mitigating Actions and Management
Risk that a lack of available and appropriately trained and motivated staff leads to the inability to meet contractual/regulatory requirements and/or deliver the required sales contribution	An inability to recruit and/or retain appropriate staff due to either a real or perceived view of the organisation leading to financial, reputational or other damage to the Company.	<ul style="list-style-type: none"> - The Company actively monitors senior leadership to ensure motivation is maintained, that succession plans are in place and applied to relevant team members - Improved engagement continues through regular Group wide communication activities including 'Town-Halls' and open and honest Q&A opportunities - A wide range of benefits and incentives are provided by the Company to its staff and is regularly reviewed with recent enhancements around long service - The Company has policies and procedures in place for training and development as well as to manage and monitor performance through personal development plans and objective setting as well as active talent management and succession planning - The Company provides regular training on health and safety for all employees and has in place a well-being programme including mental health first aiders.
Changes in assumptions and/or market conditions could materially impact the defined benefit pension scheme deficit	Communis is has continuing obligations under a defined benefit pension scheme that is now closed to new entrants. The IAS 19 pension deficit was £10,014,000 as at 31 December 2021. The impact is that any changes in assumptions, such as interest rates, equity returns, or discount rates could require substantial future cash contributions to eliminate any resulting increase in the pension scheme deficit and therefore decrease the Company's ability to expand the business through continued investment or to pay dividends to shareholders.	<ul style="list-style-type: none"> - The Company works closely with the Pension Scheme Trustees to adopt programmes that optimise returns on Pension Scheme assets, reduce the ultimate pension liabilities and minimise the level of additional cash contributions required to eliminate any deficit.

COVID-19

The Company has operated throughout the pandemic due to being considered a critical supplier for many clients and therefore giving it essential worker status. The health and well-being of our staff remains our highest priority and where staff are working in any of the operational printing or warehousing sites, we are fully complying with the latest government guidelines.

The pandemic has, however, had a negative impact on some areas of the business the Company continues to monitor the impacts of the pandemic and respond accordingly.

COMMUNISIS UK LIMITED

STRATEGIC REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172(1) STATEMENT

The Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Section 172(1)(a) to (f) requires each Director to act in the way he or she considers would be most likely to promote the success of the Company for the benefit of its members as a whole, with regard to the following matters:

(a) the likely consequences of any decision in the long term;

Five-year forecasts of profitability and cash flow has been prepared as part of the goodwill impairment testing at Group. Management has good medium-term visibility of the business. Despite this, there will always be uncertain factors outside the control of Communisis and forecasting can never take into account unknown future economic, legal or regulatory changes which could impact the business and the markets in which it operates. The Board can confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due as part of the going concern assessments.

(b) the interests of the Company's employees;

At Communisis we understand that the success of our business strategy is critically dependent upon the involvement of all employees. We appreciate that employee engagement and well-being not only benefit our employees but also have a direct impact upon the performance of our business and we seek to achieve that engagement in a number of ways. The Board communicate our strategic goals to all of our managers and empower them to develop both themselves and those for whom they are responsible through focused training to ensure they can best deliver those goals. Further details on these can be found on Employee engagement section within the Directors' Report.

(c) the need to foster the Company's business relationships with suppliers, customers and others;

Our supply chain is key to the success of Communisis. We work hand in hand with our suppliers to understand our environmental impact and we plan to do more to establish a reliable source of data within the supply chain through the strategic adoption of a supply chain management platform which will give us greater insights into the businesses that we work with.

(d) the impact of the Company's operations on the community and the environment;

We actively encourage all employees to be socially active and participate in volunteering activities in the local community. We support this by allowing a paid volunteer day per employee per year. We are committed to the development, implementation and maintenance of an action plan to target improvements in our environmental and sustainability performance, in addition to helping our clients with theirs and to monitoring our progress over time.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

Communisis values its reputation for ethical behaviour, financial integrity and reliability. It acknowledges that over and above the commission of any crime, any involvement in bribery will also reflect adversely on its reputation. Communisis' aim is to limit its exposure to bribery and corruption by: setting out a policy on anti-bribery and corruption; training all employees so that they can recognise and avoid the use of bribery by themselves and others; providing employees with a suitable channel of communication and ensuring sensitive information is treated appropriately; rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution; and taking firm and vigorous action against any individual involved in bribery or corruption.

COMMUNISIS UK LIMITED


**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

SECTION 172(1) STATEMENT - continued

(f) the need to act fairly between members of the Company

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board and its senior management consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

SIGNED ON BEHALF OF THE DIRECTORS:

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Mr T A Burgham - Director

29 September 2022

COMMUNISIS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the Financial Statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of an integrated marketing services company.

DIVIDENDS

Dividends paid during the year amounted to £nil (2020 £nil).

RESEARCH AND DEVELOPMENT

Expenditure on research and development in the year was £nil (2020 £nil). The Company's accounting policy on research and development costs are detailed in Note 2.

The year saw continued investment in the core platforms across the business with a focus on both standardisation of and enhanced functionality added to core platforms to add to the services that the Company provides to its clients. In the year, the Company has focused investment on standardising its approach to composition and workflow to enable standard onboarding in a swift manner. This in turn will open access to wider markets removing barriers to entry.

FUTURE DEVELOPMENTS

The Company is expected to trade on the same basis for the foreseeable future in line with the Company's strategic initiatives as set out in the Strategic Report.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Mr T A Burgham
Mr P D Hoggarth

FINANCIAL INSTRUMENTS

The Company finances its activities with a combination of intercompany loans with other Group entities, cash and lease contracts. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to interest rate, credit, price and liquidity risk. These are managed at a group level, and further details can be obtained from the Group Financial Statements of OSG Bidco Limited.

DIRECTORS' INDEMNITY INSURANCE

The ultimate parent company, OSG Group Holdings, Inc, granted an indemnity to each of its Directors (including those of subsidiary companies) against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report. The indemnity is controlled and paid centrally by the ultimate parent company.

COMMUNISIS UK LIMITED

**DIRECTORS' REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

GOING CONCERN

The Company's immediate parent company, Communisis Limited has received assurances from its immediate parent company (OSG Bidco Limited) who in turn has received assurances from Output Services Group Inc. that in respect of intragroup balances, it does not intend to demand repayment of amounts which would impact the ability of the Group to continue as a going concern from the date of the issuance of the Group's Financial Statements.

The results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for marketing offering and related services. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. The business is facing cost pressure on paper and other raw materials along with increases in costs of production from rising energy prices. The current geo-political climate also presents the risk of disruption to the supply of paper. Management are regularly monitoring these risks so that the impact on the business can be assessed and mitigating action taken.

In the current geo-political climate, estimates and assumptions about future events and their effects are extremely challenging to determine with certainty and therefore require significant judgment. Notwithstanding the above, at the date of issuance of these Financial Statements, the Directors, have prepared a range of scenario forecasts, extending to a period of at least 12 months from the date of approval of the Financial Statements, which indicate that the Company has adequate resources to continue operational existence for the foreseeable future.

Based on the measures put in place by the Board and Management, in addition to the confirmation from Output Services Group Inc. to Communisis Limited, that it does not intend to demand repayment of amounts owed to it, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual Financial Statements.

COMMUNISIS UK LIMITED

DIRECTORS' REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2021

EMPLOYEES

Employee Engagement

The Group to which the Company belongs takes a broad approach to ensuring that it engages with its colleagues to share information, seek feedback, gather views on decisions and cascade key updates.

During 2021, Communisis redefined our Purpose and communicated that to our colleagues for them to understand the new focus and direction of the organisation. Our purpose is now;

Powering Brand Engagement, through outstanding communications, conversations and outcomes, which makes lives better.

This new purpose was communicated and shared through a series of focused townhall meetings and written updates. During 2022, there will be further activation and educational events, including face to face session as the reduction of COVID-19 restrictions permits.

More widely, Directors and senior leadership teams are all responsible and accountable for employee engagement and regularly share information and solicit feedback via various, appropriate, channels. They are also required to communicate key actions and changes, as well as taking part in more formal consultation periods where there is significant change, or where change directly impacts an individual.

Throughout the year, and with continued restrictions related to the global pandemic, the Group undertook several activities to ensure that it was communicating and sharing information. Some of the key actions include:

All Company Business Updates

Every four to six weeks, the whole business is invited to join the Executive Leadership Team on a Microsoft Teams broadcast. The agendas for these sessions vary, but broadly consist of an update from the CEO, content from around the organisation including focus on various business units, a financial update, and most importantly, time for a live Question and Answer (Q&A) session. These sessions are well attended, recorded and a recording is shared with all colleagues, as well as a transcript of the full Q&A session, so that anyone unable to attend can still have that information. We also invite feedback after every session via a poll and comment so that we can ensure that the information shared is relevant and informative for all.

Union Engagement

Within the manufacturing business, UNITE and Accord Unions are recognised through Shop Stewards and Representatives, who have close working relationships with site management teams. Engagement is then developed through local representatives, the Union regional leadership teams, up to the National Organizer.

Divisional/Team Sessions

Supplementing the 'all company sessions', Board members ensure that there are regular team sessions which allow them and their leadership teams to spend more focussed time on what matters to colleagues in that area.

Written Updates/Pulse Communications

The Group has created a cadence of regular written updates on key actions or initiatives around the more formal updates. This has been particularly critical during the continued pandemic and has been a valuable source of information for colleagues in 2021.

Online Communities

The Group continues to use a secure online communications platform. This allowed colleagues to share content and news, comment and enter discussions, and come together online. This has been particularly successful in our international businesses where the geography, time zones and travel bans due to COVID-19 has made it difficult to feel connected to each other and the organisation.

COMMUNISIS UK LIMITED

DIRECTORS' REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2021

Diversity and Inclusion

Our focus is to build an inclusive and diverse business that is representative of our communities at all levels and the Group takes a progressive approach to Diversity and Inclusion. We recognise the benefits that diversity can bring to any organisation and has embraced that philosophy when making all appointments into the business. No person employed by the Group will be treated less favourably on the grounds of (or the assumption or perception of) their disability. For example, candidates for employment or promotion will be assessed objectively against the requirements for the job, and fully supported with any reasonable adjustments that may be required for candidates with a disability. Our overall approach to diversity, equality and inclusion informs all that we do across recruitment and training, with this underpinned by relevant policies ensures that everyone in the Group has the opportunity to enjoy rewarding careers, with valuable training and development, regardless of disability.

Our recruitment partnership, with market leader Randstad Sourceright, involves coaching, training and up-skilling our line managers to help them support our approach to both diversity and gender equality. The Group also partner with SHL for a suite of psychometric assessment tools which ensure it has an objective and fair approach to candidate selection.

The Group has in place an Equal Opportunities Policy and Statement. The ongoing commitment above, together with the Company's Equal Opportunities Policy and Statement, comprises the Group's policy on diversity.

Mental Health and Well-being

Throughout the global pandemic the Group continued to grow the initiatives that support its people's mental health and well-being. We recognise that the challenges faced by everyone and the impact that these can have and are committed to ensuring that our colleagues have access to support that will help them if needed.

The programme of works demonstrates the Group's commitment to its people and that it takes the issue of mental health seriously and are committed to breaking down the taboo and helping end mental health discrimination in all workplaces.

During the year, the Group continued to rely on a network of Mental Health First Aiders, took time out to recognise key events and continued the conversation around Mental well-being. The teams across the world took part in a number of events, many virtual or socially distanced - but we 'Moved for Mental Health' to promote exercise to improve well-being. In addition, Zoom yoga classes, virtual Fika Fridays, home based Charity bake sales in aid of mental health charities and other activities and events were held across the Group to promote mental health and well-being.

Human Rights and Modern Slavery

The Group takes the issue of human rights seriously. As such we have published a new Human Rights Policy that outlines how we support and align to the United Nation's Universal Declaration of Human Rights and the ILO's fundamental conventions. We are committed to ensuring that our operations and those of our supply chain promote and protect these principles so that all individuals have those basic human rights protected. The Modern Slavery Act 2015 has introduced changes in the UK law focusing on increasing transparency in supply chains. A copy of the Group's Human Rights policy and slavery and human trafficking statement can be found on the Company's website (www.communisis.com). The Group is committed to ensuring there is transparency in its approach in tackling modern slavery in the supply chain.

STREAMLINED ENERGY AND CARBON REPORTING

The Group's Streamlined Energy and Carbon Reporting disclosure report can be found in the Group Financial Statements of OSG Bidco Limited.

DISCLOSURE IN THE STRATEGIC REPORT

The Companies Act 2006 requires us to present a fair review of the business during the year to 31 December 2021 and of the position of the Company at the end of the financial period along with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 2 to 7.

COMMUNISIS UK LIMITED

**DIRECTORS' REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these Financial Statements, the Directors are required to:

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

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


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Crowe U.K. LLP have been re-appointed as auditor for the ensuing year in accordance with section 485 of the Companies Act 2006.

SIGNED ON BEHALF OF THE DIRECTORS:

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Mr T A Burgham - Director

29 September 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COMMUNISIS UK LIMITED

Opinion

We have audited the Financial Statements of Communis UK Limited (the 'Company') for the year ended 31 December 2021, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the Financial Statements section of our report. We are independent of the 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, 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

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 Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COMMUNISIS UK LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; 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 on pages eleven and twelve, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Financial Statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the Financial Statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases and reviewing revenue recognised in the period to ensure revenue had been recognised in the correct period.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
COMMUNISIS UK LIMITED**

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 a Report of the Auditors 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.

DocuSigned by:

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Leo Malkin (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

September 29, 2022

Date:

COMMUNISIS UK LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £000	2020 £000
TURNOVER	3	137,546	163,357
Cost of sales		<u>(53,436)</u>	<u>(63,989)</u>
GROSS PROFIT		84,110	99,368
Administrative expenses		<u>(79,699)</u>	<u>(92,308)</u>
		4,411	7,060
Other operating income		<u>504</u>	<u>2,225</u>
OPERATING PROFIT		4,915	9,285
Exceptional costs	5	<u>(6,556)</u>	<u>(15,086)</u>
		(1,641)	(5,801)
Income from shares in group undertakings		1,800	-
Interest receivable and similar income	6	1,206	273
Interest payable and similar expenses	7	<u>(2,943)</u>	<u>(3,774)</u>
LOSS BEFORE TAXATION	8	(1,578)	(9,302)
Tax on loss	9	<u>573</u>	<u>(625)</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(1,005)</u></u>	<u><u>(9,927)</u></u>

The Notes on pages 20 to 50 form part of these Financial Statements

COMMUNISIS UK LIMITED**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £000	2020 £000
LOSS FOR THE YEAR	(1,005)	(9,927)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit	12,512	(8,999)
Income tax thereon	<u>(1,075)</u>	<u>2,509</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>11,437</u>	<u>(6,490)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>10,432</u>	<u>(16,417)</u>

The Notes on pages 20 to 50 form part of these Financial Statements

COMMUNISIS UK LIMITED (REGISTERED NUMBER: 01006371)**BALANCE SHEET
31 DECEMBER 2021**

	Notes	2021 £000	2020 £000
FIXED ASSETS			
Intangible assets	10	7,187	10,804
Tangible assets	11	27,406	30,941
Investments	12	<u>8,436</u>	<u>8,436</u>
		43,029	50,181
CURRENT ASSETS			
Stocks	13	4,015	6,093
Debtors	14	45,172	31,439
Contract fulfilment assets	15	109	587
Contract assets		8,941	10,264
Cash at bank		<u>7,306</u>	<u>11,004</u>
		65,543	59,387
CREDITORS			
Amounts falling due within one year	16	<u>(64,168)</u>	<u>(59,234)</u>
NET CURRENT ASSETS		<u>1,375</u>	<u>153</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,404	50,334
CREDITORS			
Amounts falling due after more than one year	17	(23,880)	(27,801)
PROVISIONS FOR LIABILITIES	18	(423)	(484)
PENSION LIABILITY	21	<u>(10,014)</u>	<u>(22,395)</u>
NET ASSETS/(LIABILITIES)		<u>10,087</u>	<u>(346)</u>
CAPITAL AND RESERVES			
Called up share capital	19	200	200
Capital contribution reserve	20	1	-
Retained earnings	20	<u>9,886</u>	<u>(546)</u>
SHAREHOLDERS' FUNDS		<u>10,087</u>	<u>(346)</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 29 September 2022 and were signed on its behalf by:

DocuSigned by:

Tim Burgham

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Mr T A Burgham - Director

The Notes on pages 20 to 50 form part of these Financial Statements

COMMUNISIS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Retained earnings £000	Capital contribution reserve £000	Total equity £000
Balance at 1 January 2020	200	15,871	-	16,071
Changes in equity				
Total comprehensive income	-	(16,417)	-	(16,417)
Balance at 31 December 2020	<u>200</u>	<u>(546)</u>	<u>-</u>	<u>(346)</u>
Changes in equity				
Total comprehensive loss	-	10,432	-	10,433
Capital contribution in year	-	-	1	1
Balance at 31 December 2021	<u>200</u>	<u>9,886</u>	<u>1</u>	<u>10,087</u>

The Notes on pages 20 to 50 form part of these Financial Statements

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The Financial Statements of Communisis UK Limited (the "Company") for the year ended 31 December 2021 were authorised for issue on 29 September 2022 and the Balance Sheet was signed on the Board's behalf by Mr T A Burgham.

Communisis UK Limited is a private limited company, limited by shares, incorporated and domiciled in England and Wales. The registered office is located at Communisis House, Manston Lane, Leeds LS15 8AH.

The Financial Statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable United Kingdom law and accounting standards.

The Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Financial Statements present information about the Company as an individual undertaking and not about its group, as the Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare Consolidated Financial Statements as it is included by full consolidation in the Consolidated Financial Statements of its parent company, OSG Bidco Limited, a company incorporated in England and Wales.

The principal accounting policies adopted by the Company are set out in Note 2.

2. ACCOUNTING POLICIES

Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2021.

As at 31 December 2021 the Company had net current assets of £1,375,000 (2020 £153,000). The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and cash flow risk are described in the Strategic Report.

Through the Group, the Company has considerable financial resources and as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, having received confirmation from the immediate parent company, Communisis Limited, that it does not intend to demand repayment of amounts owed to it, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. Further details can be found in the Director's Report.

COMMUNISIS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- 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 134(d) to 134(f) of IAS 36 Impairments of Assets.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

2.2 Critical accounting judgements and key sources of estimation uncertainty

The key judgements and assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

Revenue recognition: principal or agent basis

The Company acts as principal if it controls a promised good or service before transferring that good or service to the customer. This assessment of control requires judgement, in particular in relation to certain service contracts. An example is the provision of licensing and postage services where the Company may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Costs to fulfil a contract

The Company recognises as an asset certain costs which are incurred in fulfilling a contract. In order to qualify for capitalisation the costs must meet the criteria outlined in IFRS 15. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

Exceptionals

The Company presents separately, on the face of the Income Statement, material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year. An element of management judgement is required in identifying these exceptional items.

Development costs

Expenditure on a development project, such as computer software, which is reliably measurable, is capitalised when the technical feasibility and commercial viability of the project is demonstrated. The Company must intend to, and have available the resources to, complete the project and be satisfied that the intangible asset arising from the development project will generate probable future economic benefits. An element of management judgement is required when distinguishing between the research and development phases of a project.

Determining whether it is reasonably certain that an extension or termination option will be exercised

In determining the lease liabilities and right-of-use assets the Company is required to exercise judgement to identify contracts in the scope of IFRS 16 and determine contract terms. When identifying the contracts in the scope of IFRS 16 the Company exercises judgement to determine whether it depends on a specified asset, whether it obtains substantially all the economic benefits from the use of the asset and whether the Company has the right to direct of the use of the asset.

When determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Determination of the appropriate rate to discount the lease payments

A key input into the present value calculation of the Company's lease liabilities is the discount rate, which may have a material impact on the valuation of the lease liability recorded. The discount rate also impact the allocation of total expense between the depreciation and interest throughout the lease term. In transitioning to the new lease standard, the Company elected to apply the modified retrospective approach and as such the discount rate use to measure the lease liability at the date of initial application is the incremental borrowing rate. To arrive at an appropriate incremental borrowing rate on portfolio of leases with similar characteristics, certain adjustments have been made on readily observable rates such as property yield to account for the length of the lease, the nature of the asset and the economic environment. For new leases from the date of initial application, the Company uses the rate implicit in the lease if it can readily be determined. Implicit rate is readily determined by considering the information made available by the Company's lessor.

Assessing Useful Economic Lives of fixed and intangible assets

The Group is required to assess the useful economic lives (UEL) of assets so that depreciation/amortisation is charged on a systematic and proportionate basis to the carrying amount. These UELs are reviewed at least annually as part of the annual impairment review of assets. In December 2021 the Group announced that it had signed an agreement with Tech Mahindra to transform technology, infrastructure and finance systems. Consequently, the UELs of several assets have been reassessed by Management and in doing this a degree of judgement has been used to gage the timing of the transformation project and at what stage an asset is likely to be replaced.

Estimates

Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Pensions

The actuarial valuation involves making assumptions about mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Discount rates are based on interest rates of AA rated corporate bonds that have terms of maturity approximating to the terms of the relevant pension liability.

Impairment assessment of non-financial assets

Management annually perform impairment test of indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. These calculations involve a variety of assumptions such as estimates of future cash inflows and outflows. Actual cash flows might, for example, differ significantly from management's current best estimate. Changes in assessed presence or absence of competitors, technological obsolescence etc. might have an impact on future cash flows and result in recognition of impairment losses.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

2.3 Summary of significant accounting policies

Revenue from contracts with customers

The Company provides integrated business services. The goods and services provided as part of this offering are sold in separately identified contracts with customers.

Under IFRS 15, revenue is recognised based on delivery of performance obligations and an assessment of when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires a number of key judgements. In addition, the Company also exercises a number of judgements in recognising related Balance Sheet items in the period (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, contract assets and contract liabilities).

For all contracts, the Company determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in some Master Service Agreements (MSAs) not meeting the definition of a contract under IFRS 15 on their own. As such, the individual project briefs/purchase orders linked to the MSAs are treated as individual contracts.

For contracts with multiple components to be delivered such as short-term customer projects and transition services, management applies judgement to consider whether those promised goods and services are:

- (i) distinct - to be accounted for as separate performance obligations;
- (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct; or
- (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract. Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer.

The Company disaggregates revenue from contracts with customers by contract type (previously goods and services), as this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. The Company therefore now presents revenue in three categories: long-term services, short-term customer projects and transition services.

Long-term services

The Company performs a range of services across the Customer Experience segment under customer contracts with a duration, on average, of five years. The main service lines within this category are as follows:

- Transactional Print
- Inbound Servicing and Response Handling
- Security Communications

COMMUNIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

The nature of performance obligations categorised within this revenue stream is diverse; however, the general principle is that revenue is recognised over time. The Company considers that the services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; and (ii) have the same pattern of transfer, and therefore treats the series as one performance obligation. Even if the underlying activities performed by the Company to satisfy a promise vary significantly throughout the day and from day to day, that fact, by itself, does not mean the distinct goods or services are not substantially the same. The Company measures progress towards completion and hence recognises revenue using output methods, namely units produced/delivered, as this best reflects the nature in which the Company is transferring control of the goods/services to the customer.

Short-term customer projects

The Company performs a range of services across the Customer Experience segment and Brand Deployment segment under customer contracts with project durations of typically less than one year. The main service lines within this category are as follows:

- Procurement Services (formerly Managed Services)
- Campaign Fulfilment
- Print Sourcing
- Direct Mail
- Document Design and Change

Agency projects are predominantly recognised over time using output methods, namely a combination of time elapsed and milestones, as this best reflects the nature in which the Company is transferring control of the goods/services to the customer. Campaign type work, however, is recognised at a point in time, when the performance obligation has been satisfied and control is passed to the customer.

Transition services

Transition revenue occurs within the Customer Experience segment, relating to the delivery of business process optimisation solutions and transformational services for significant new contracts secured. Revenue from transition services is assessed on a contract by contract basis to determine the number of distinct performance obligations in the contract and the point at which control is passed on to the customer. Where there is one identified performance obligation, namely the full integration of work into existing production facilities and systems, the total revenue is recognised over the term of the contract regardless of whether an advanced payment is received. Transition revenue may, however, also include payment for template design where the right to use the template is passed on to the customer. Any revenue in respect of this is recognised at a point in time when the performance obligation is satisfied and control transferred.

Contract premiums

Amounts paid to secure customer contracts are held within trade and other receivables and unwound over the life of the contract as a reduction to the transaction price.

Principal versus agent

The Company has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. In making this assessment the Company considers the overall performance obligation in the contract and whether the individual services provided in satisfying the performance obligation are distinct.

The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Other indicators considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service or good.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Where the Company has determined that it is acting as principal in a transaction with a customer, revenue is recorded on a gross basis. Where the Company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned.

Capitalisation of costs to obtain a contract

The Company recognises as an asset the incremental costs of obtaining a contract with a customer where those costs are expected to be recovered. Costs incurred to obtain a contract that are not incremental are expensed as incurred. Judgement is therefore applied by the Company when determining what costs qualify to be capitalised. These assets are referred to as 'contract acquisition assets' and are included as a separate class of intangible asset.

Capitalisation of contract fulfilment costs

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalisation:

- (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Contract fulfilment assets relate directly to the Company's performance under the contract and are identified separately on the Balance Sheet and aged accordingly. The related utilisation is shown within cost of sales to reflect its nature.

Utilisation, derecognition and impairment of capitalised costs to obtain and fulfil contracts with customers

The Company amortises capitalised costs to obtain and fulfil a contract over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. In the absence of any known phasing a straight-line basis over the life of the contract is used as the closest proxy. If the revenue stream ceases and no further economic benefits are expected to flow from its use then the costs would be deemed as impaired and written off.

At each reporting date, the Company determines whether or not the contract acquisition assets or contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price.

Where there are indicators of impairment such as the relevant contracts demonstrating marginal profitability, judgement is required to determine whether or not the future economic benefits from these contracts are sufficient to recover these assets. Management is required to make an assessment of the costs to complete the contract in performing this impairment assessment. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Goodwill

The UK Companies Act required goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or wherever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act, specifically paragraph 22 of Schedule 1 of the Regulations. Had the Company amortised goodwill a maximum of 20 years would have been chosen as the useful life for goodwill.

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Any unamortised goodwill on 1 January 2014, the date of transition to FRS 101, was frozen from that date.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets created within the business are not capitalised (unless specific conditions are met) and expenditure is charged to the Income Statement in the year in which the expenditure is incurred.

Research and development costs

Research costs are expensed as incurred. Expenditure on a development project, such as computer software, which is reliably measurable, is capitalised when the technical feasibility and commercial viability of the project is demonstrated. The Company must intend to and have available the resources to complete the project and be satisfied that the intangible asset arising from the development project will generate probable future economic benefits. Capitalisation ceases when the product is ready for launch.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project, from the date the asset is available for use.

The carrying value of development costs is reviewed when there is an indicator of impairment. In addition it is reviewed annually when the asset is not yet in use.

Computer software costs

Acquired computer software and licences are capitalised at costs. These costs are amortised over their useful estimated lives (2 to 5 years).

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees. These costs are amortised over their estimated useful lives (2 to 5 years).

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES - continued****Tangible fixed assets**

Tangible fixed assets stated at cost less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold property	50 years
Short leasehold property	8 years
Plant, equipment and motor vehicles	4 to 14 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Useful economic lives, depreciation methods and residual values are reviewed annually. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The Company's principal financial instruments comprise bank loans and overdrafts, cash and short-term deposits and interest rate swaps. The main purpose of these financial instruments is to raise finance for the Company's operations and to manage interest rate risk. The Company also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Financial assets

On initial recognition, a financial asset is classified into one of three categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), based on the business model in which the financial asset is managed and its contractual cash flow characteristics. The Company's financial assets are currently all classified within IFRS 9's amortised cost model and comprise contract assets, trade and other receivables and cash and cash equivalents. The Company's financial assets are therefore initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment losses and any gain or loss on derecognition are recognised in the Income Statement.

When calculating impairment provisions the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. For contract assets and trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivable.

Financial liabilities

On initial recognition the Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired: fair value through profit and loss (FVTPL) and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied. The Company's financial liabilities include borrowings and trade and other payables. They are initially measured at fair value, net of transaction costs and then subsequently measured using the amortised cost model applying the effective interest rate method.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Stocks

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

Raw materials are stated at purchase cost on a first-in, first-out basis. For finished goods and work in progress, costs include directly attributable material and labour costs and certain overhead costs that contribute in bringing the inventories to their present location and condition. Selling expenses and other administrative overhead expenses are excluded.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provision is made for items of stock that are damaged, obsolete or slow-moving.

Debtors

Trade debtors, which generally have 30-90 days credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. The Company holds the trade debtors with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade debtors and contract assets. To measure the expected credit losses, trade debtors and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Creditors

Creditors, which generally have 30-90 days' credit terms, are recognised and carried at original invoice amount.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Income tax

Current tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date.

Income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Employee benefit costs

The Company operates defined contribution and defined benefit pension plans.

Payments to defined contribution pension plans are charged as an expense to the Income Statement as incurred when the related employee service is rendered. The Company has no further legal or constructive payment obligations once the contributions have been made.

The defined benefit pension plan is a Group scheme, as detailed in the Group Consolidated Financial Statements on the Group accounting policies Note 2.3. The Company's share of the assets and liabilities of the scheme has been allocated on a contractual basis.

The cost of administering the pension scheme is recognised in employee benefits expense in the Income Statement. The Company determines the net interest income/expense on the net defined benefit assets/ liabilities for the year by applying the discount rates used to measure the defined benefit obligations at the beginning of the year to the net defined benefit assets/liabilities at the beginning of the year, taking into account any changes in the net defined benefit assets/liabilities during the year as a result of contributions and benefit payments. The liability recognised in the Balance Sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of AA rated corporate bonds that have terms of maturity approximating to the terms of the relevant pension liability. AA rated corporate bonds are used as the most suitable proxy for calculating the discount rate.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognised in the Consolidated Statement of Comprehensive Income.

When a settlement or a curtailment occurs, the obligation and the related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the Income Statement during the period in which the settlement or curtailment occurs. A settlement is the elimination of all obligations for benefits already accrued and a curtailment is the reduction of future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement.

Investments

Investments are shown at cost less provision for impairment. The cost of an investment is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in accordance with IFRS 9 either in profit and loss or in other comprehensive income. If the contingent consideration is classed as equity, it is not re-measured until it is finally settled within equity.

Investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Dividend recognition

The Company recognise final dividends on approval by the Board of Directors.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made, but there is some uncertainty about the timing of the future expenditure required in settlement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Leases

The Company as a lessee

The Company, as lessee, leases various land and buildings, plant and equipment and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Under IFRS 16, at inception of a contract the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee, the Company recognises a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company (commencement date) for all leases.

The right-of-use assets is initially measured at cost and comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any residual value guarantees;
- any initial direct costs; and
- any restoration costs.

The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The right-of-use asset is then adjusted for any impairment losses or certain measurements of the lease liability where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company or relevant Company's incremental borrowing rate. Lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES - continued**

Each lease payment is then allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured where there is a change in future lease payments, if there is a change in the Company's estimate to be payable under a residual guarantee, or if the Company changes the assessment of whether it will exercise a purchase option or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the right-of-use asset or is recorded in the Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment.

3. TURNOVER

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December:

	2021	2020
	£000	£000
Geographical markets		
United Kingdom	133,800	159,341
Overseas	<u>3,746</u>	<u>4,016</u>
	<u>137,546</u>	<u>163,357</u>
Contract type		
Long-term services	63,865	80,717
Short-term customer projects	71,553	80,097
Transition services	<u>2,128</u>	<u>2,543</u>
	<u>137,546</u>	<u>163,357</u>
Timing of revenue recognition		
Transferred at a point in time	63,581	73,269
Transferred over time	<u>73,965</u>	<u>90,088</u>
	<u>137,546</u>	<u>163,357</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****4. EMPLOYEES AND DIRECTORS**

The average no. of employees for the year ended 31 December 2021 is 1,125 (2020 1,431).

Employee benefits expense for the year ended 31 December:

	2021	2020
	£000	£000
Wages and salaries	41,563	46,793
Social security costs	3,839	4,532
Redundancy costs	3,643	5,906
Share option charge	1	-
Other pension costs	<u>2,023</u>	<u>2,815</u>
	<u><u>51,069</u></u>	<u><u>60,046</u></u>

Other pension costs are amounts charged to operating profit and do not include amounts charged to interest payable and similar charges (see Note 7), and amounts recognised in Other Comprehensive Income.

A charge of £1,000 has been made in the year in respect of equity settled share options granted by the ultimate parent company, OSG Holdings Inc, to certain Directors of the Company in equity of the ultimate parent OSG Holdings Inc. The charge represents the fair value of those share options at the grant date, spread across the vesting period. During the year no share options were exercised.

In addition to the above, a further £1,674,000 (2020 £1,330,000) of employee costs have been capitalised during the year as part of various development projects around the Group. These costs have been capitalised as software and are included in Note 11.

During the year, the Company received furlough income totalling £504,000 (2020 £2,225,000) from the Government in respect of the COVID-19 pandemic. This has been shown as other operating income in the Income Statement.

The total emoluments of the Directors of the Company (including those paid through other Group Companies) were as follows:

	2021	2020
	£000	£000
Remuneration receivable	<u>967</u>	<u>627</u>
Remuneration of highest paid Director	<u><u>483</u></u>	<u><u>366</u></u>

One Director had benefits accruing under the Group's pension schemes during the year ended 31 December 2021 (2020 two).

It is not practicable to apportion the emoluments of the Directors amongst subsidiary entities in relation to their qualifying services provided.

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****5. EXCEPTIONAL COSTS**

	2021	2020
	£000	£000
Restructuring and transformation costs	4,961	5,805
Disposal and impairment of fixed and intangible assets	945	-
Assignment of Psona House lease	204	-
Pension costs	446	674
Net debit following dormant entity strike-offs	-	8,149
Other one-off charges	-	145
Patent legal fees	-	313
	<u>-</u>	<u>313</u>
Exceptional charge	<u>6,556</u>	<u>15,086</u>

The following non-recurring costs were incurred in the year ended 31 December 2021:

- Restructuring and transformation costs totalling £4,961,000 have been incurred to reduce the cost base and deliver efficiency improvements. The restructuring costs included £4,215,000 in respect staff costs all of which had been paid by 31 December 2021.
- The PPF level increase of £446,000 has been incurred as a direct result of Communis' acquisition by Output Services Group Inc.
- A charge of £204,000 was incurred in assigning the Psona House lease to a third party.
- In December 2021 the Group announced that it had signed an agreement with Tech Mahindra to transform technology, infrastructure and finance systems. Consequently, the existing intangible assets and PPE were assessed with regards to their future value in Communis. Considering the planned transformation, a total combined disposal and impairment charge of £945,000 was recorded in the Income Statement.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£000	£000
Interest income from net investment in sublease	207	273
Foreign currency exchange gain	999	-
	<u>1,206</u>	<u>273</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£000	£000
Other finance costs	608	391
Interest on lease liabilities	1,495	1,750
Other retirement benefit related cost	424	481
Net interest expense on defined benefit plan (Note 21)	416	453
Foreign currency exchange loss	-	699
	<u>2,943</u>	<u>3,774</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****8. LOSS BEFORE TAXATION**

	2021	2020
	£000	£000
Depreciation of tangible assets	8,756	8,788
Auditors' remuneration	138	138
Amortisation of intangible assets	<u>4,008</u>	<u>4,204</u>

The Company is exempt from giving the disclosures of non-audit remuneration which would otherwise be required by regulation 5(1)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 ('the Regulations') as it is included in the Group Financial Statements of its parent, Communisis plc which are required to comply with regulation 6(1) of the Regulations.

9. TAXATION**Analysis of tax (income)/expense**

	2021	2020
	£000	£000
Current tax:		
Current tax	55	613
Adjustment in respect of prior years	<u>25</u>	<u>-</u>
Total current tax	<u>80</u>	<u>613</u>
Deferred tax:		
Origination and reversal of timing differences	(606)	12
Adjustment in respect of prior periods	(361)	-
Adjustment in respect of prior periods - due to change in tax rate	<u>314</u>	<u>-</u>
Total deferred tax	<u>(653)</u>	<u>12</u>
Total tax (income)/expense in Income Statement	<u>(573)</u>	<u>625</u>

Tax on items charged to equity

	2021	2020
	£000	£000
Deferred tax relating to actuarial gain/(loss) on pension scheme	<u>(1,075)</u>	<u>2,509</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****9. TAXATION - continued****Factors affecting the tax expense**

The tax assessed for the year is lower (2020 higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£000	£000
Loss before income tax	<u>(1,578)</u>	<u>(9,302)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 19%)	(301)	(1,767)
Effects of:		
Expenses not deductible for tax purposes (including ineligible depreciation)	367	533
Non-taxable income	(316)	-
Temporary differences as a result of transition to IFRS 15 deductible for tax purposes	(300)	(390)
Adjustment in respect of prior years	(23)	701
Intercompany write-offs not deductible for tax purposes	<u>-</u>	<u>1,548</u>
Tax (income)/expense	<u>(573)</u>	<u>625</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****10. INTANGIBLE FIXED ASSETS**

	Goodwill £000	Computer software £000	Totals £000
COST			
At 1 January 2021	8,112	30,175	38,287
Additions	-	902	902
Disposals	-	(988)	(988)
Transfer	-	227	227
	<u>8,112</u>	<u>30,316</u>	<u>38,428</u>
At 31 December 2021	<u>8,112</u>	<u>30,316</u>	<u>38,428</u>
AMORTISATION			
At 1 January 2021	6,826	20,657	27,483
Amortisation for year	-	4,008	4,008
Eliminated on disposal	-	(417)	(417)
Impairments	-	167	167
	<u>6,826</u>	<u>24,415</u>	<u>31,241</u>
At 31 December 2021	<u>6,826</u>	<u>24,415</u>	<u>31,241</u>
NET BOOK VALUE			
At 31 December 2021	<u>1,286</u>	<u>5,901</u>	<u>7,187</u>
At 31 December 2020	<u>1,286</u>	<u>9,518</u>	<u>10,804</u>

Included in software assets is £1,308,000 (2020 1,238,000) currently in development. Amortisation is expected to commence in 2022.

As at 31 December 2021, the Company had not entered into any contractual commitments for the acquisition of intangible assets.

In December 2021 the Group announced that it had signed an agreement with Tech Mahindra to transform technology, infrastructure and finance systems. Consequently, the Useful Economic Lives of several assets which were either previously under construction or in use have been reassessed and an impairment charge of £167,000 has been included within exceptional items.

The Company conducts annual impairment testing on the carrying value of goodwill using value in use calculations. The key assumptions included in the value in use calculations are revenue growth, product and service mix and profit margins, the long-term growth rates and the discount rate applied.

Goodwill acquired through business combinations has been allocated to the transactional business unit for impairment testing purposes. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes. The recoverable amount of the transactional cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board over 5 years. In 2021 no impairment charges in goodwill have been made (2020 £nil).

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

11. TANGIBLE FIXED ASSETS

	Freehold property £000	Short leasehold £000	Right-of-use Assets £000	Plant and machinery £000	Totals £000
COST					
At 1 January 2021	8,720	2,457	41,476	61,296	113,949
Additions	-	-	5,148	1,413	6,561
Disposals	-	-	(10,212)	(198)	(10,410)
Reversal of impairments	-	-	(907)	-	(907)
Transfer	-	-	-	(227)	(227)
At 31 December 2021	<u>8,720</u>	<u>2,457</u>	<u>35,505</u>	<u>62,284</u>	<u>108,966</u>
DEPRECIATION					
At 1 January 2021	4,653	1,416	22,148	54,791	83,008
Charge for year	211	137	6,790	1,618	8,756
Eliminated on disposal	-	-	(10,212)	-	(10,212)
Impairments	-	-	-	8	8
At 31 December 2021	<u>4,864</u>	<u>1,553</u>	<u>18,726</u>	<u>56,417</u>	<u>81,560</u>
NET BOOK VALUE					
At 31 December 2021	<u>3,856</u>	<u>904</u>	<u>16,779</u>	<u>5,867</u>	<u>27,406</u>
At 31 December 2020	<u>4,067</u>	<u>1,041</u>	<u>19,328</u>	<u>6,505</u>	<u>30,941</u>

Included within plant and machinery are assets currently in development of £1,473,000 (2020 £35,000). Depreciation is expected to commence in 2022.

In December 2021 the Group announced that it had signed an agreement with Tech Mahindra to transform technology, infrastructure and finance systems. Consequently, the Useful Economic Lives of several assets which were either previously under construction or in use have been reassessed and an impairment charge of £8,000 has been included within exceptional items.

With the exception of Right-of-Use (ROU) assets above, as at 31 December 2021 the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment.

The below table summarises the details of the ROU assets by class of underlying assets:

	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Net book value at 31 December 2021	<u>5,229</u>	<u>11,457</u>	<u>93</u>	<u>16,779</u>
Net book value at 31 December 2020	9,680	9,375	273	19,328

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****12. INVESTMENTS**

	Shares in group undertakings £000
COST	
At 1 January 2021 and 31 December 2021	<u>8,903</u>
PROVISIONS	
At 1 January 2021 and 31 December 2021	<u>467</u>
NET BOOK VALUE	
At 31 December 2021	<u>8,436</u>
At 31 December 2020	<u>8,436</u>

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

Editions Publishing Limited

Nature of business: **Content marketing**
 Class of shares: **Ordinary**
 Country of incorporation: **England and Wales**
 % holding: 100
 Registered office: 50 Lothian Road, Edinburgh, Midlothian EH3 9WJ

Communis Data Limited (formerly known as Communis Data Intelligence Limited)

Nature of business: **In liquidation**
 Class of shares: **Ordinary**
 Country of incorporation: **England and Wales**
 % holding: 100
 Registered office: Communis House, Manston Lane, Leeds LS15 8AH

Communis Digital Limited

Nature of business: **Provision of digital production services**
 Class of shares: **Ordinary**
 Country of incorporation: **England and Wales**
 % holding: 100
 Registered office: Communis House, Manston Lane, Leeds LS15 8AH

Communis Capital Partner Limited

Nature of business: **Non-trading company**
 Class of shares: **Ordinary**
 Country of incorporation: **England and Wales**
 % holding: 100
 Registered office: Communis House, Manston Lane, Leeds LS15 8AH

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****12. INVESTMENTS - continued****GDE Limited**

Nature of business:	Non-trading company
Class of shares:	Ordinary
Country of incorporation:	England and Wales
% holding	100
Registered office	Communis House, Manston Lane, Leeds LS15 8AH

The Directors are of the opinion that the aggregate value of the investments in subsidiary undertakings, which are stated at cost less amounts written off for permanent reductions in value, is not less than the Balance Sheet amount.

13. STOCKS

	2021	2020
	£000	£000
Raw materials	3,018	4,418
Work-in-progress	617	663
Finished goods	<u>380</u>	<u>1,012</u>
	<u>4,015</u>	<u>6,093</u>

The Directors consider that the difference between the replacement cost of stocks and the amounts included in the accounts is not material.

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****14. DEBTORS****Amounts falling due within one year:**

	2021	2020
	£000	£000
Trade debtors	22,935	13,100
Net investment in sublease	633	942
Prepayments	3,905	4,483
Other debtors	1,378	826
Current tax	122	-
Amounts owed to parent	9,655	33
Amounts owed to subsidiary undertakings	704	706
Amounts owed to group undertakings	158	51
	<u>39,490</u>	<u>20,141</u>

Trade and other debtors are shown net of lifetime expected loss provisions. Expected credit loss from trade and other debtors amounted to £128,000 (2020 £211,000).

Amounts owed by group undertakings are interest free and are repayable on demand. Management have determined that any expected credit losses on these intercompany loans are immaterial.

Amounts falling due after more than one year:

	2021	2020
	£000	£000
Trade debtors	-	3,505
Net investment in sublease	1,185	1,578
Prepayments	180	97
Other debtors	100	974
Deferred tax	4,217	5,144
	<u>5,682</u>	<u>11,298</u>
Aggregate amounts	<u>45,172</u>	<u>31,439</u>

Deferred tax asset:

	2021	2020
	£000	£000
Rolled over capital gains	(487)	(396)
Other timing differences	336	648
Deferred tax on pension scheme	3,927	5,195
Excess of depreciation over taxation allowances	441	(303)
	<u>4,217</u>	<u>5,144</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****14. DEBTORS - continued**

The realisation of the current year deferred tax asset is dependent upon the anticipated continuing profitability of the Company. The deferred tax asset is recognised as the Directors foresee future profits adequate to assume recovery. The provision for deferred tax at 31 December 2021 has been made at rates varying between 19% and 25% depending upon the likely timing of the reversal of the asset or liability. This reflects the legislation included in the Finance Act 2021, increasing the UK Corporation Tax rate to 25% with effect from April 2023.

Contract assets

	2021	2020
	£000	£000
Current	8,941	9,813
Non-current	-	451
	<u>8,941</u>	<u>10,264</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the end of the reporting period. The contract assets are transferred to receivables when the rights become unconditional. The company also recognised a loss allowance of £12,000 (2020 £14,000) for contract assets in accordance with IFRS 9.

15. CONTRACT FULFILMENT ASSETS

	2021	2020
	£000	£000
Contract fulfilment assets	<u>109</u>	<u>587</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000	£000
Trade creditors	21,611	26,556
Amounts owed to other group undertakings	34	714
Amounts owed to parent undertakings	271	216
Amounts owed to subsidiary undertakings	14,059	9,854
Current tax	-	303
Social security and other taxes	1,737	1,089
Other creditors	4,330	2,066
Noncurrent contract liabilities	2,346	3,958
Accrued expenses	13,407	7,974
Lease liabilities	<u>6,373</u>	<u>6,504</u>
	<u>64,168</u>	<u>59,234</u>

Included within Other creditors is an amount of £1,150,000 (2020 £1,150,000) in relation to a loan from a Group company associated with one of the Group's freehold properties. The rate of interest on this loan is 8.27% with a term to 2031.

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2021	2020
	£000	£000
Accruals	-	341
Other creditors	9,407	10,224
Lease liabilities	14,039	16,284
Contract liabilities	434	952
	<u>23,880</u>	<u>27,801</u>

Included within Other creditors is an amount of £9,081,000 (2020 £9,807,000) in relation to a loan from a Group company associated with one of the Group's freehold properties. The rate of interest on this loan is 8.27% with a term to 2031.

The below table summarises the details of the Company's total lease liabilities by class of underlying assets:

	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Total lease liability at 31 December 2021	<u>8,252</u>	<u>12,059</u>	<u>101</u>	<u>20,412</u>
Total lease liability at 31 December 2020	12,778	9,718	292	22,788
Cash outflow at 31 December 2021	<u>2,385</u>	<u>4,388</u>	<u>207</u>	<u>6,980</u>
Cash outflow at 31 December 2020	2,438	4,819	310	7,567

18. PROVISIONS FOR LIABILITIES

	Provisions £000
Balance at 1 January 2021	484
Utilised during year	<u>(61)</u>
Balance at 31 December 2020	<u>423</u>

The above provision relates to a £300,000 dilapidation provision (2020 £400,000) representing the estimated costs required to reinstate certain premises to a state as required under the lease agreements where liabilities are expected. The remaining £123,000 (2020 £84,000) relates to an onerous leases provision representing the estimated service costs that would be paid in relation to lease agreements that the Company considers to be onerous.

19. CALLED UP SHARE CAPITAL**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2021 £000	2020 £000
200,000	Ordinary	£1	<u>200</u>	<u>200</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****20. RESERVES****Retained earnings**

	2021	2020
	£000	£000
At 1 January	(546)	15,871
(Loss) for the financial year	(1,004)	(9,927)
Actuarial gain/(loss) on defined benefit pension scheme	12,512	(8,999)
Income tax charge on items taken directly to other comprehensive income	<u>(1,075)</u>	<u>2,509</u>
	<u>9,887</u>	<u>(546)</u>

Capital contribution reserve

During the year an intercompany loan of £1,000 from the immediate parent, Communisis Limited, in relation to the share options granted to certain Directors was converted to equity.

21. EMPLOYEE BENEFIT OBLIGATIONS

The Company operates the Communisis Pension Plan which comprises a defined contribution and defined benefit section.

Defined contribution scheme

Our Workplace Pension is the 'Communisis Flexible Retirement Saver', part of the Scottish Widows Master Trust. UK employees of Communisis are eligible for membership of this arrangement. The assets are held by Scottish Widows and governed by their Trustee Board. Group companies are required to contribute a specified percentage of payroll costs to the Workplace Pension to help employees save for retirement.

The total cost charged to income of £2,023,000 (31 December 2020 £2,599,000) represents contributions payable to these arrangements by the Company at specified rates. As at 31 December 2021 all contributions due in respect of the current reporting period had been paid over to the arrangements on 19 January 2022 (2020 18 January 2021).

The Company expects to contribute £2,000,000 (2020 £2,400,000) to the defined contribution pension arrangements in 2022.

Defined benefit schemes

These Financial Statements include a proportion of the Group pension deficit and charge which has been allocated to the Company. The section is closed to all members with no employees accruing further benefits under the plan.

The amounts recognised in the Balance Sheet are as follows:

	Defined benefit pension plans	
	2021	2020
	£000	£000
Present value of funded obligations	(188,007)	(194,689)
Fair value of plan assets	<u>177,993</u>	<u>172,294</u>
Net liability	<u>(10,014)</u>	<u>(22,395)</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****21. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2021	2020
	£000	£000
Administrative expenses	1,225	1,508
Net interest expense	<u>416</u>	<u>453</u>
	<u>1,641</u>	<u>1,961</u>

Changes in the fair value of the funded status of the defined benefit plan are as follows:

	2021	2020
	£000	£000
Opening net pension deficit	(22,395)	(14,742)
Contributions by employer	1,511	3,307
Net interest expense	(416)	(453)
Administration costs	(1,226)	(1,508)
Return on assets	10,209	13,045
Actuarial gain/(loss)	<u>2,303</u>	<u>(22,044)</u>
Closing net pension deficit	<u>(10,014)</u>	<u>(22,395)</u>

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

	Defined benefit pension plans	
	2021	2020
	£000	£000
Opening defined benefit obligation	194,689	176,211
Interest cost	2,571	3,440
Benefits paid	(6,950)	(7,006)
Actuarial (gains)/losses	<u>(2,303)</u>	<u>22,044</u>
	<u>188,007</u>	<u>194,689</u>

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2021	2020
	£000	£000
Opening fair value of scheme assets	172,293	161,469
Contributions by employer	1,511	3,307
Interest income	2,156	2,986
Benefits paid	(6,950)	(7,006)
Administrative expenses	(1,226)	(1,507)
Return on plan assets	10,209	13,045
	<u>177,993</u>	<u>172,294</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2021	2020
	£000	£000
Actuarial (gains)/losses	2,303	(22,044)
Return on plan assets	10,209	13,045
	<u>12,512</u>	<u>(8,999)</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2021	2020
	£000	£000
Liability Driven Investments	28,465	29,078
Synthetic equities/ LDI	22,736	25,278
Diversified alternatives	20,353	17,522
Diversified growth	49,518	55,725
Property income Fund	14,206	13,239
Property used by the company	8,524	9,426
Direct lending	24,472	14,672
Insured liabilities	2,028	2,008
Cash	7,691	5,346
	<u>177,993</u>	<u>172,294</u>

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****21. EMPLOYEE BENEFIT OBLIGATIONS - continued**

None of the above represent equities or bonds issued by the Group, or properties owned by the Group.

Communis Trustee (2011) Company Limited (the 'Trustee') is appointed to manage the Plan on behalf of the members in accordance with its Trust Deed and Rules and relevant pension legislation. The Plan's governance model to that of a sole Trustee with Steve Southern as sole Trustee Director.

The overall management of the investment of the Plan's assets is the responsibility of the Trustee. However, the day-to-day execution of the investment and associated transactions is delegated to the Plan's appointed Investment Managers. The Trustee agreed investment strategy is based on analysis of the liability profile of the Pension Plan and the risk and returns expected from the various asset classes held over the longer term. The primary objective of the Trustee is to operate a strategy which provides long-term growth and security for all beneficiaries.

The risk that the investments may not be sufficient to cover the Plan liabilities is one which is monitored by the Trustee, the Group and their respective advisers. The funding position and the divergence of invested assets is under regular review with a detailed strategy review undertaken in late 2021.

In February 2012, Communis Limited and the Trustee agreed to a Central Asset Reserve arrangement involving the securitisation of a rental stream on one of the Group's freehold properties to help address the pension fund deficit. In connection with the arrangement certain freehold property was transferred to a limited partnership established by the Group. The partnership is controlled by, and its results are consolidated by, the Group. The value of the assets transferred was £9,750,000 and on the same date the Plan used the contribution to acquire an interest in the partnership for its value of £9,750,000. In September 2019, it was agreed that the Plan's partnership interest entitles it to a distribution of £1,150,000 each year from the income of the partnership be extended up to 2031. The Plan's interest in the partnership does not qualify as a Plan asset for the Group.

In addition to the rental payments referred to above, following the last triennial actuarial valuation performed at 31 March 2020, in order to remove the deficit, a further Recovery Plan was agreed in July 2021. The Recovery Plan commenced from 5 October 2021 with monthly contributions payable up to 5 March 2031. The deficit repair contributions will increase annually by a fixed 10% with the first increase due under this Recovery Plan on 5 October 2022.

The Group expects to pay £4,980,000 to the defined benefit pension scheme in 2022, of which £1,150,000 relates to annual rent and £1,234,000 to administration costs including the Pension Protection Fund levy. The Board continues to work with the Trustee to seek opportunities to reduce the deficit and liability exposure and accelerate progress to the goal of "self-sufficiency" for the defined benefit pension scheme.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2021	2020
Discount rate	1.87%	1.35%
Inflation - Retail Price Index	3.40%	3.00%
Inflation - Consumer Price Index	2.90%	2.40%

COMMUNISIS UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****21. EMPLOYEE BENEFIT OBLIGATIONS - continued****Mortality rates**

Mortality rates have assumed the base table of 98% (M) / 106% (F) of S3PxA (2020 110% of SAPS S2PXA) to be consistent with the approach adopted at the actuarial valuation dated 31 March 2020. Assumed life expectancy for a member is as follows:

	2021	2020
	Years	Years
Current pensioners:		
Male	21.3	20.2
Female	23.3	22.2
Future pensioners:		
Male	22.3	21.2
Female	24.4	23.4

Sensitivity analysis

Sensitivity analysis has been performed to determine the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

A 0.1 percentage point change (in absolute terms), in the factors below would have the following effects:

	Increase	Decrease
	£000	£000
Discount rate		
Effect on defined benefit obligation	(3,547)	3,643
Inflation - RPI		
Effect on defined benefit obligation	2,188	(2,300)
Inflation - CPI		
Effect on defined benefit obligation	1,271	(1,404)

A one year increase in life expectancy would have the following effect:

	2021
	£000
Effect on defined benefit obligation	8,038

The Plan is exposed to inflation and interest rate risk and changes in the life expectancy of pensioners. The Plan's exposure to equity market risk is mitigated by a diverse portfolio of investments. The weighted average duration of the defined benefit obligation at 31 December 2021 is approximately 17 years (2020 17 years).

22. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 December 2021.

COMMUNISIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

23. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year the Directors were remunerated for services provided to the Group. This has been disclosed in Note 4. The Directors are considered to be key management personnel.

There were no other related party transactions in the year that require disclosure under IAS 24.

24. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Communisis Limited. Communisis Limited is a wholly owned and direct subsidiary of OSG Bidco Limited. OSG Bidco Limited and Communisis Limited are both registered in England and Wales.

OSG Bidco Limited is an indirect subsidiary of OSG Group Holdings, Inc. OSG Group Holdings, Inc. (incorporated in Delaware, United States) is regarded by the Directors as being the Company's ultimate parent company for the year ended 31 December 2021. From 31 August 2022, OSG Group Topco LLC, a company incorporated in Delaware, United States, became the Company's ultimate parent company.

The only UK group into which the results of the Company are consolidated for year ended 31 December 2021 is that headed by OSG Bidco Limited. Copies of the Group accounts of OSG Bidco Limited is available from the registered office at Communisis House, Manston Lane, Leeds LS15 8AH.