

Grenadier Holdings plc

Report and Financial Statements

30 June 2017

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COMPANIES HOUSE

Directors

P J Crean
L T Salmon
L P Estival

Secretary

R J Cahill

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne NE1 4JD

Bankers

Credit Agricole
Centre-Loire
Centre D'affaires 45
26 Rue de la Godde
45 800 St Jean de Braye
France

Credit Lyonnais
Orleans SDC Centre
7 Place du Martroi
45000 Orleans
France

Barclays Bank plc
71 Grey Street
Newcastle upon Tyne NA99 1JP

Solicitors

Gunnercooke LLP
1 Cornhill
London EC3V 3ND

Cabinet Lipworth
18 Avenue Franklin Roosevelt
75008 Paris
France

Registered Office

Park House
16 – 18 Finsbury Circus
London, EC2M 7EB

Strategic report

The directors present their strategic report and the financial statements for the year ended 30 June 2017.

Principal activity and review of the business

The company acts as an intermediate parent undertaking.

The company converted to non-trading plc status during the year.

On 16 December 2016, the company borrowed €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. The proceeds are to be used to fund future acquisitions.

In the UK the company acquired the DST Output Limited group of companies.

In France, the company acquired D’Haussy Solutions International SAS, D’Haussy Solutions SAS and Rault Eppe Solutions SAS. Also in France the company disposed of its Identification companies to ASK SA, who itself has now become a subsidiary as the company controls 77.5% of the issued share capital of ASK SA.

Future developments

The directors do not foresee any changes in the company’s activities.

Principal risks and uncertainties

The main risks associated with the company’s financial assets and liabilities are set out below.

Interest rate risk

The company is a parent undertaking with minimal funds held in a current account. On 16 December 2016, the company raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 15 December 2023. The notes bear a fixed interest rate between 4% to 5% subject to a margin grid.

Price risk

The company does not enter into transactions with third parties, as such there is no price risk.

Credit risk

All transactions are with Group companies. The company therefore has no risk of exposure to external credit risk.

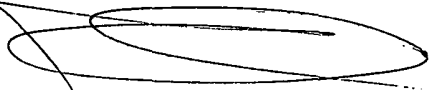
Liquidity risk

The nature of the company is such that liquidity risk is not considered an area of concern.

Foreign currency risk

The company does not transact in foreign currencies outside of the Paragon Group.

On behalf of the Board



Patrick J Crean

Director

13 December 2017

Registered No. 03591693

Directors' report

The directors present their report and financial statements for the year ended 30 June 2017.

The financial statements are stated in Euros as this is the functional currency of the company.

Results and dividends

The profit for the year after taxation amounted to €106,668,000 (2016 – profit of €1,102,000). No dividend was paid during the year (2016 – €nil). The result for the year is driven by the profits arising on the sale of subsidiary companies.

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Directors

The directors who served the company during the year and up to the date of signing these financial statements were as follows:

P J Crean
L T Salmon
L P Estival

Financial instrument risk

The group has established a risk and financial management framework whose primary objective is to protect the group from events that hinder the achievement of the group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business level.

Directors' liabilities

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

Events since the Statement of Financial Position date

On 27 October 2017 the Group acquired the entire share capital of Document Management Solutions Limited.

On 2 November 2017 the Group concluded an additional £25,000,000 credit facility bearing an interest rate of 3 months LIBOR plus 0.9%.

On 6 November 2017 the Group acquired the entire share capital of docsellent GmbH.

Political and charitable contributions

During the year, the company did not make any political or charitable contributions (2016 – €nil).

Directors' report

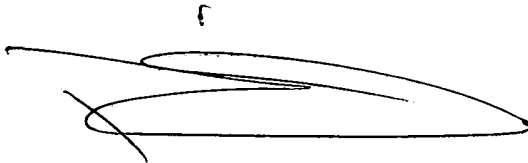
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Patrick J Crean', written over a horizontal line.

Patrick J Crean
Director
13 December 2017

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Grenadier Holdings PLC

Our opinion on the financial statements

In our opinion:

- ▶ Grenadier Holdings PLC's financial statements give a true and fair view of the state of the company's affairs as at 30 June 2017 and of the company's profit for the year then ended;
- ▶ The company financial statements have been properly prepared in accordance with UK GAAP, including FRS 101, the Financial Reporting Standard applicable in the UK, in accordance with the provisions of the Companies Act 2006.

What we have audited the Grenadier Holdings PLC's financial statements which comprise:

Statement of financial position as at 30 June 2017

Income statement for the year then ended

Statement of comprehensive income for the year then ended

Statement of changes in equity for the year then ended

Related notes 1 to 21 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report

Overview of our audit approach

Key Audit matters

We have identified the following key audit matters, which were of most significance to our audit:

Significant risks

- ▶ Risk of impairment of fixed asset investments
- ▶ Risk of fraud in respect of management fees

Audit scope	▶ We performed an audit on the complete financial information of Grenadier Holdings PLC
Materiality	▶ Overall materiality of £1,590,000 which represents 0.75% of the total assets of the company, 1.15% of the net assets of the company, and 1.52% of the profit before tax in the company's Financial Statements at 30 June 2017.

Key Audit Matters

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

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>The risk of impairment of fixed asset investments</p> <p>The company holds a significant value in investments in subsidiaries, held at cost. During the current year there have been material additions. We have identified a risk of misstatement attributed to incorrect accounting treatment of additions and the potential requirement for impairment.</p> <ul style="list-style-type: none"> - €130.5m (2016: €33.3m) - €97m addition in the current year relating to two groups (ASK: €88m and PCC: €9m) 	<ul style="list-style-type: none"> - We have reviewed the accounting treatment for the disposal of the Paragon ID division and the subsequent (and linked) acquisition of ASK. - We have considered the implications of Paragon Group's goodwill impairment review for evidence of underperforming subsidiaries. - We have considered the group reporting from component auditors to see if any significant investments have shown any signs of impairments 	<ul style="list-style-type: none"> - The accounting treatment of the disposal and acquisition have been concluded and the treatment is correct and appropriate. - The impairment review has not indicated that the significant investments (PTSA/ASK/PCC) are impaired. - Based on the work performed, reasonable assurance has been gained that fixed asset investments are

Independent auditors' report

Risk	Our response to the risk	Key observations communicated to the Board of Directors
		not materiality misstated.
<p>Risk of fraud in respect of management fees</p> <p>In accordance with ISA 240, we have identified presumed risk of fraud in relation to revenue. In assessing the specific risk of fraudulent revenue recognition, we have considered the nature of the entity's revenue stream. Revenue for Grenadier Holdings PLC is comprised entirely of revenue from intercompany management fees, which are in relation to group services provided to subsidiaries, not limited to use of proprietary technology platforms.</p> <p>- €6.7m (2016: €7.2m)</p>	<ul style="list-style-type: none"> - We have tested a sample of invoices based on a "high" combined risk assessment. - Invoices have been traced to general ledger and the details have been checked to ensure that they have been booked to the correct company. - We have undertaken an analytical review on the management fees nominal account to ensure that there are no unexplained unusual or significant transactions. 	<ul style="list-style-type: none"> - No issues were noted with the invoices. - No unusual or significant items were identified that were not sufficiently explained. - Reasonable assurance gained that management fees are free from material misstatement.

Compared to the prior year, there has been an enhanced focus on the accounting treatment and consideration of impairment of fixed asset investments on the grounds that they have increased materially in the current year (increase of €97.2m).

The approach to management fees has not been changed as the year on year activity is comparable and in line with expectations.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. This enables us to form an opinion on the financial statements. We take into account size, risks, profile, the organisation of the entity and

Independent auditors' report

effectiveness of controls, changes in the business environment and other factors when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality (€000)	Performance materiality (€000)	Audit differences (€000)
Overall	<ul style="list-style-type: none"> ► Represents; 0.75% of total assets 1.15% of net assets 1.52% of profit before tax 	€1,592	€1,194	€79

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that, as a holding company, the shareholders' funds are the most important figures for the users of the financial statements. We have removed the impact of the gain on investments in the income statement as these are significant one-off transactions. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

During the course of our audit, we reassessed initial materiality and, as the actual equity (after removing one off items) was in line with that which we had used as the initial basis for determining overall materiality, our final materiality was consistent with the materiality we calculated initially.

Independent auditors' report

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement is that overall performance materiality and specific performance materiality (i.e., our tolerance for misstatement in an individual account or balance) for the company should be 75% (2016: 75%) of the respective materiality. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Audit Differences Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board that we would report to the Board all uncorrected audit differences in excess of €79,000 which is set at 5% of planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 4 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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.
- ▶ The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditors' report

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

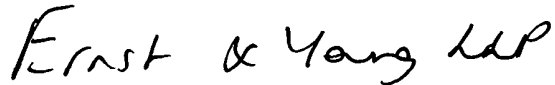
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Independent auditors' report

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Sandra Thompson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle
14 December 2017

Income statement

for the year ended 30 June 2017

	Notes	2017 €000	2016 €000
Management fees		6,726	7,190
Administrative expenses		(7,354)	(5,739)
Operating (loss)/profit	2	(628)	1,451
Dividend income from shares in group undertakings		3,205	-
Gain on sale of investments	5	107,171	-
Intercompany loan write-off	6	(1,318)	-
Finance income	7	715	394
Finance expense	8	(2,682)	(527)
Profit before tax		106,463	1,318
Income tax (credit)/charge	9	(205)	216
Profit for the year		106,668	1,102

All of the above operations are continuing.

Statement of comprehensive income

for the year ended 30 June 2017

There is no other comprehensive income other than the profit attributable to the shareholders of the company for the year of €106,668,000 (2016 – profit of €1,102,000).

Statement of Financial Position

at 30 June 2017

	Notes	2017 €000	2016 €000
Fixed assets			
Intangible assets	10	528	504
Shares in group undertakings	11	130,207	33,339
		<u>130,735</u>	<u>33,843</u>
Current assets			
Amounts owed by Group undertakings	12	76,341	17,278
Other Debtors	12	548	19
Income tax receivable		28	-
Deferred tax asset	14	220	220
Cash and cash equivalents	12	3,419	271
		<u>80,556</u>	<u>17,788</u>
Creditors: amounts falling due within one year			
Amounts due to subsidiary undertaking	13	18,469	18,187
Trade and other payables	13	2,583	909
Income tax payable		-	191
		<u>21,052</u>	<u>19,287</u>
Net current assets/(liabilities)		59,504	(1,499)
Total assets less current liabilities		<u>190,239</u>	<u>32,344</u>
Creditors: amounts falling due after more than one year			
Loans	15	51,227	-
Net assets		<u>139,012</u>	<u>32,344</u>
Capital and reserves			
Share capital	16	122	152
Share premium	21	2,518	2,518
Capital reduction reserve	21	30	-
Retained earnings	21	136,342	29,674
Total equity		<u>139,012</u>	<u>32,344</u>

The financial statements were approved and authorised for issue by the Board of Directors on 13 December 2017 and were signed on the Board's behalf by:



Laurent T Salmon
Director

Statement of changes in equity

for the year ended 30 June 2017

	<i>Share capital</i> €000	<i>Capital Reduction reserve</i> €'000	<i>Share premium</i> €000	<i>Retained earnings</i> €000	<i>Total equity</i> €000
Balance as at 30 June 2015	152	-	2,518	28,572	31,242
Profit for the year	-	-	-	1,102	1,102
<i>Balance at 30 June 2016</i>	<u>152</u>	<u>-</u>	<u>2,518</u>	<u>29,674</u>	<u>32,344</u>

	<i>Share capital</i> €000	<i>Capital Reduction reserve</i> €000	<i>Share premium</i> €'000	<i>Retained earnings</i> €000	<i>Total equity</i> €000
Balance as at 1 July 2016	152	-	2,518	29,674	32,344
Share capital reduction	(30)	30	-	-	-
Profit for the year	-	-	-	106,668	106,668
<i>Balance at 30 June 2017</i>	<u>122</u>	<u>30</u>	<u>2,518</u>	<u>136,342</u>	<u>139,012</u>

Notes to the financial statements

at 30 June 2017

1. Accounting policies

Basis of preparation

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The registered office of the Company changed during the year to Park House, 16 – 18 Finsbury Circus, London, EC2M 7EB. The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Euros and all values are rounded to the nearest thousand (€000) except where otherwise indicated. These financial statements present the performance and position of the individual entity. The results of the Company are included in the consolidated financial statements of Paragon Group Limited, which are available from its registered office, Park House, 16 – 18 Finsbury Circus, London, EC2M 7EB. The principal accounting policies adopted by the Company have been consistently applied and are set out below.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Euro/Sterling exchange rate at 30 June 2017 was 1.14 (2016 – 1.21).

The Company does not prepare group financial statements as it is exempt from the requirement to do so under section 400 of the Companies Act 2006.

Investments

Investments are stated at cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell).

An investment is derecognised upon disposal or when no future economic benefits are expected to arise. Any gain or loss arising on the derecognition of the investment is included in the income statement in the period of derecognition.

Notes to the financial statements

at 30 June 2017

1. Accounting policies (continued)

Impairment of financial assets

The company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimate.

Intangible assets

Computer software

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

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value and subsequently stated at amortised cost.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the Income Statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value. They are recognised at fair value and then held at amortised cost.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Tax

The tax expense in the Income Statement comprises current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise

Notes to the financial statements

at 30 June 2017

1. Accounting policies (continued)

on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Deferred tax is calculated on an undiscounted basis.

Foreign currencies

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

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end.

Grenadier Holding plc's financial statements are prepared in Euro as the majority of the company's transactions are denominated in Euro.

Finance costs

The finance cost recognised in the income statement in respect of capital instruments other than equity shares is allocated to periods over the terms of the instrument at a constant rate on the carrying amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue

Group Management Fees

Group management fees are earned in connection with the services provided by the Group's central support units. Revenue is recognised when earned and realised or realisable under the terms of the agreement with the individual group entities.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Notes to the financial statements

at 30 June 2017

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Forecasts and discount rates

The carrying values of investments on the Statement of Financial Position are dependent on estimates of future cash flows arising from Group operations which, in some circumstances, are discounted to arrive at a net present value.

Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

2. Operating (loss)/profit

This is stated after charging:

	2017	2016
	€000	€000
Foreign exchange loss	245	602
Auditor's remuneration – audit services	134	101
– non-audit services	68	60
Staff costs (note 4)	853	1,021
Amortisation of intangibles (note 10)	436	352

Auditor's remuneration is in respect of Paragon Group Limited and subsidiaries and is borne by this company. Non audit services relate to taxation services.

3. Directors' remuneration

	2017	2016
	€000	€000
Remuneration	581	563
Company contributions paid to money purchase scheme	-	-
	No.	No.
Members of money purchase pension schemes	1	1

The remuneration from the company of the highest paid director was €281,000 (2016 = €269,000). The contributions paid into money purchase pension schemes for the highest paid director were €nil (2016 – €nil).

Notes to the financial statements

at 30 June 2017

4. Staff costs

	2017	2016
	€000	€000
Wages and salaries	725	865
Social security costs	104	126
Other pension costs	24	30
	<u>853</u>	<u>1,021</u>

The average monthly number of full-time, part-time and temporary employees during the year was:

	2017	2016
	No.	No.
Administration	<u>6</u>	<u>8</u>

5. Gain on sale of investments

The gain on investment arises on the following disposals; Paragon Identification Pty Limited to Bemrose Booth Paragon Limited, Bemrose Booth Paragon Limited to Paragon France SAS, Paragon France SAS to ASK SA and MeillerGHP SARL to Paragon Transaction SA (note 11).

6. Intercompany loan write-off

The company wrote off the entire amount of its amount due from Holmbergs i Malmo AB. This was done to improve Holmbergs i Malmo AB's equity position.

7. Finance income

	2017	2016
	€000	€000
Interest receivable from Group undertakings	653	394
Interest receivable on cash equivalents	62	-
	<u>715</u>	<u>394</u>

8. Finance expense

	2017	2016
	€000	€000
Interest payable to Group undertakings	469	527
Loan note interest	1,111	-
Foreign exchange losses on retranslation of intercompany loan balances	1,037	-
Amortised loan note issuance costs	65	-
	<u>2,682</u>	<u>527</u>

Notes to the financial statements

at 30 June 2017

9. Income tax (credit)/charge

Income tax on the profit as shown in the Income Statement is as follows

	2017 €000	2016 €000
Current tax		
Current period	(205)	79
In respect of prior periods	-	(11)
Total current tax (credit)/charge	(205)	68
Deferred tax current period	-	115
In respect of prior periods	-	9
Effect of change in rates	-	24
Total deferred tax charge (note 14)	-	148
Total income tax (credit)/charge	(205)	216

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

	2017 €000	2016 €000
Profit before tax	106,463	1,318
Tax calculated at a rate of 19.75% (2016 – 20%)	21,026	264
Non taxable profit on disposal of investment	(21,273)	(70)
Non taxable dividend income	(633)	-
Effect of changes in tax rates	-	24
Non deductible expenses	403	-
Adjustments in respect of prior periods	-	(2)
Current year losses	148	-
Group relief not at the standard rate	124	-
Total income tax (credit)/charge	(205)	216

The standard rate of UK corporation tax for the period was 19.75% (2016: 20%). A reduction in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the company's deferred tax balance at the balance sheet date.

Notes to the financial statements

at 30 June 2017

10. Intangible assets

	<i>Software</i> €000
<i>Cost:</i>	
At 1 July 2016	2,339
Additions	460
At 30 June 2017	<u>2,799</u>
<i>Accumulated amortisation:</i>	
At 1 July 2016	1,835
Charge for the year	436
At 30 June 2017	<u>2,271</u>
<i>Net book value:</i>	
At 30 June 2017	<u>528</u>
At 1 July 2016	<u>504</u>

11. Shares in group undertakings

Details of the investments in which the company holds at least 5% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

PCC: Paragon Customer Communications

PID: Paragon ID

PGS: Paragon Graphic Services

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Grenadier (UK) Limited	England	Ordinary	100%	Parent undertaking
Paragon Group UK Limited	England	Ordinary	100%	(4) PCC/PGS
Paragon France SAS	France	Ordinary	100%	(12) Parent undertaking
Paragon Identification SAS	France	Ordinary	100%	(2) PID
Paragon Transaction SA	France	Ordinary	100%	PCC
Gresset Services SAS	France	Ordinary	66.67%	PCC
Wordcraft Digital Print Limited	England	Ordinary	100%	(1) Dormant
Hardy of Castleford Limited	England	Ordinary	100%	Dormant
Paragon Romania SRL	Romania	Ordinary	100%	(5) PCC
Paragon Transaction Belgium BVBA	Belgium	Ordinary	100%	(3) Dormant
Paragon Transaction UK Limited	England	Ordinary	100%	(3) Parent undertaking
Immobiliere Paragon France SAS	France	Ordinary	100%	(3) Property holding

Notes to the financial statements

at 30 June 2017

11. Shares in group undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Bemrose Booth Paragon Limited	England	Ordinary	100%	(15) PID
Paragon Grenadier US Inc	USA	Ordinary	100%	Parent undertaking
Paragon Solutions Group Inc	USA	Ordinary	100%	(6) PID
Paragon Marketing Solutions SAS	France	Ordinary	100%	(3) PCC
Print Trade Suppliers Limited	England	Ordinary	100%	(4) PGS
Holmbergs i Malmo AB	Sweden	Ordinary	100%	(4) PGS
Allkopi Holdings AS	Norway	Ordinary	100%	(4) Parent undertaking
Allkopi AS	Norway	Ordinary	100%	(7) PGS
KSB Groep BV	Netherlands	Ordinary	100%	(8) PGS
CBF plc	England	Ordinary	100%	(1) Dormant
Paragon Nederland BV	Netherlands	Ordinary	100%	Dormant
C&D Investments BV	Netherlands	Ordinary	100%	Dormant
FleQs BV	Netherlands	Ordinary	100%	PGS
ASK SA	France	Ordinary	77.5%	PID
ASK IntTag	USA	Ordinary	77.5%	(12) PID
ASK Asia HK	Hong Kong	Ordinary	77.5%	(12) Parent undertaking
ASK Smart	China	Ordinary	77.5%	(19) PID
Paragon Customer Communications Limited	England	Ordinary	100%	PCC
Paragon Customer Communications (Reality) Limited	England	Ordinary	100%	(20) PCC
Paragon Customer Communications (Bristol) Limited	England	Ordinary	100%	(20) PCC
Lateral Holdings Limited	England	Ordinary	100%	(20) Parent undertaking
Dsicmm Group Limited	England	Ordinary	100%	(20) Parent undertaking
Lateral Group Limited	England	Ordinary	100%	(21) Parent undertaking
Paragon Customer Communications (London) Limited	England	Ordinary	100%	(23) Parent undertaking
Paragon Customer Communications (Notts) Limited	England	Ordinary	100%	(22) PCC
Paragon Applied Analytics	England	Ordinary	100%	(22) PCC

Notes to the financial statements

at 30 June 2017

11. Shares in group undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Netprint Norge AS	Norway	Ordinary	100%	(7) Parent undertaking
Netprint Kristiand AS	Norway	Ordinary	42%	(14) PGS
Netprint AS	Norway	Ordinary	100%	(14) PGS
D'Haussey Solutions International SAS	France	Ordinary	100%	PCC
D'Haussey GmbH	France	Ordinary	100%	(13) PCC
Rault Eppe Solutions SAS	France	Ordinary	100%	PCC
D'Haussey Solutions SAS	France	Ordinary	100%	PCC
Paragon Identification SRL	Romania	Ordinary	77.5%	(16) PID
Burrall Infosmart Limited	England	Ordinary	77.5%	(17) PID
Burrall InfoSys Limited	England	Ordinary	100%	(17) Dormant
Brite IP Limited	England	Ordinary	100%	(18) Dormant
Njaljus AB	Sweden	Ordinary	100%	(9) PGS
Paragon MeillerGHP Holding GmbH	Germany	Ordinary	100%	Parent undertaking
MeillerGHP GmbH	Germany	Ordinary	100%	(10) PCC
MeillerGHP Cz sro	Czech Republic	Ordinary	100%	(15) PCC
MeillerGHP SP zoo	Poland	Ordinary	100%	(15) PCC
MeillerGHP AB	Sweden	Ordinary	100%	(15) PCC
MeillerGHP SARL	France	Ordinary	100%	(3) PCC
Paragon Magnadata Inc.	USA	Ordinary	100%	(11) PID
Paragon Identification Pty Limited	Australia	Ordinary	100%	(11) PID
DSI Billing Services Limited	England	Ordinary	50%	(24) PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(24) PCC
Response Handling Centre	England	Ordinary	34%	(24) PCC
Intercopy AB	Sweden	Ordinary	7%	(9) PGS
Media Asset Management AS	Norway	Ordinary	25.1%	(8) PGS
Inter Routage Sologne SAS	France	Ordinary	100%	(4) PCC
SCI de L'erigny	France	Ordinary	100%	(14) PCC
Inlays India Private Limited	India	Ordinary	56.32%	(22) Dormant

The financial statements of the above entities can be obtained from the company's registered office.

Notes to the financial statements

at 30 June 2017

11. Shares in group undertakings (continued)

- (1) Held via Paragon Group UK Limited
- (2) Held via Paragon France SAS
- (3) Held via Paragon Transaction SA
- (4) Held via Paragon Transaction UK Limited
- (5) Held via Paragon Transaction UK Limited and Paragon Group UK Limited
- (6) Held via Paragon Grenadier US Inc
- (7) Held via Allkopi Holdings AS
- (8) Held via Allkopi AS
- (9) Held via Holmbergs i Malmo AB
- (10) Held via Paragon MeillerGHP Holdings GmbH
- (11) Held via Bemrose Booth Paragon Limited
- (12) Held via ASK SA
- (13) Held via D'Haussey Solutions International SAS
- (14) Held via Netprint Norge AS
- (15) Held via MeillerGHP GmbH
- (16) Held via Paragon Identification SAS
- (17) Held via Bemrose Booth Paragon Limited
- (18) Held via Burrall Infosys Limited
- (19) Held via ASK Asia HK Limited
- (20) Held via Paragon Customer Communications Limited
- (21) Held via Lateral Holdings Limited
- (22) Held via Lateral Group Limited
- (23) Held via dsicmm Group Limited
- (24) Held via Paragon Customer Communications (London) Limited

Investments in Subsidiaries	2017	2016
	€000	€000
<i>Cost:</i>		
At 1 July	33,339	33,339
Additions	137,713	-
Disposals	(40,845)	-
At 30 June	<u>130,207</u>	<u>33,339</u>

Additions

On 24 November 2016, the company acquired the entire issued share capital of D'Haussey Solutions International SAS and D'Haussey Solutions SAS in France. On 27 April 2017, the company acquired the entire issued share capital of Rault Eppe Solutions SAS in France. On 4 May 2017, the company acquired the entire issued share capital of DST Output Limited group of companies in the UK. The cost of these investments amounted to €9,450,000.

On 24 February 2017, the company increased its investment in the issued share capital of Paragon Identification SAS by €40,200,000.

The consideration for all of these transactions was in cash and has been paid in full by year-end.

On 28 April 2017, the company sold its entire issued share capital holding in Paragon France SAS amounting to €40,240,000 to ASK SA in France. Consideration was in the form of shares and debt. As a consequence,

Notes to the financial statements

at 30 June 2017

11. Shares in group undertakings (continued)

of this transaction ASK SA has now become a subsidiary of the company. The company's investments in ASK SA is €88,063,000.

Disposals

On 15 February 2017, the company sold its entire holding of €1 in Paragon Identification Pty Limited to Bemrose Booth Paragon Limited. The consideration is included in receivables at year-end.

On 24 February 2017, the company sold its holdings of €605,000 in Bemrose Booth Paragon Limited to Paragon France SAS. The consideration was in cash and has been paid in full by year-end.

The total gains arising on these two disposals amounted to €40,221,000.

The company recorded a profit of €67,823,000 on the disposal of Paragon France SAS to ASK SA and a loss of €873,000 on the disposal of MeillerGHP SARL.

12. Other financial assets

Trade and other receivables

	2017	2016
	€000	€000
Amounts owed by Group undertakings	76,341	17,278
Other Debtors	548	19
	<u>76,889</u>	<u>17,297</u>

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2017	2016
	€000	€000
Cash and cash equivalents	<u>3,419</u>	<u>271</u>

Cash and cash equivalents comprise cash held by the company and short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

13. Trade and other payables

	2017	2016
	€000	€000
Trade creditors	472	157
Other taxes and social security costs	238	201
Accruals and deferred income	762	551
Accrued interest on loan notes	1,111	-
Amounts due to subsidiary undertaking	18,469	18,187
	<u>21,052</u>	<u>19,096</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Notes to the financial statements

at 30 June 2017

14. Deferred tax

An analysis of the deferred tax asset is as follows:

	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Other timing differences	220	220	-	-
Trading losses	-	-	148	-

Reconciliation of opening to closing deferred tax asset position:

	<i>€000</i>
At 1 July 2016	220
Charge in the year	-
At 30 June 2017	220

The deferred tax asset is expected to be recovered in future periods over one year from the Statement of Financial Position date based on the Directors view that sufficient taxable profits will exist. The company has tax losses arising in the UK of €750,000 that are available indefinitely for offset against the company's future taxable profits.

15. Loans

On 16 December 2016, the company raised €52,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 520 loan notes with a face value of €100,000 each.

The proceeds are to be used to fund future acquisitions. The repayment date is 15 December 2023. The notes bear a fixed interest rate between 4% to 5% subject to a margin grid. The loan notes are secured on investments of the company. The issuance costs have been capitalised and are being amortised to net finance costs over the 7 year life of these loan notes.

	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Loan notes	52,000	-
Capitalised issuance costs	(773)	-
	51,227	-

Notes to the financial statements

at 30 June 2017

16. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2017</i> <i>€000</i>	<i>No.</i>	<i>2016</i> <i>€000</i>
A Ordinary shares of £0.01 each	10,000	-	10,000	141
B Ordinary shares of €0.01 each	1,110	-	1,110	11
Ordinary shares of €1.00 each	122,210	122	-	-
		<u>122</u>		<u>152</u>

The Ordinary share structure was consolidated and sub divided during the year to one class of Ordinary shares as part of the conversion to non-trading plc status.

All authorised and issued share capital is represented by equity shareholdings.

17. Events since the Statement of Financial Position date

On 27 October 2017 the Group acquired the entire share capital of Document Management Solutions Limited.

On 2 November 2017 the Group concluded an additional £25,000,000 credit facility bearing an interest rate of 3 months LIBOR plus 0.9%.

On 6 November 2017 the Group acquired the entire share capital of docsellent GmbH.

The annual financial impact of these acquisitions is estimated to be an increase in revenue of €18,000,000 and an increase in EBITDA of €1,700,000.

18. Contingent liabilities

In the directors' opinion there are no contingent liabilities.

19. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 101 with reference to IAS24 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

Related parties include ASK SA, Bemrose Booth Paragon Limited, Gresset Services SAS, Next Week Limited and Paragon Identification SAS.

Material transactions with non-wholly owned subsidiaries:

	<i>2017</i> <i>€000</i>	<i>2016</i> <i>€000</i>
Management fees received	155	142
Interest received	<u>206</u>	<u>-</u>

Management fees includes management fees received from Gresset Services SAS, a non-wholly owned subsidiary of the company.

Interest received includes ASK SA and Bemrose Booth Paragon Limited, both non-wholly owned subsidiaries of the company.

Notes to the financial statements

at 30 June 2017

19. Related party transactions (continued)

Amounts outstanding at the Statement of Financial Position date with non-wholly owned subsidiaries:

	2017	2016
	€000	€000
Amounts due from non-wholly owned subsidiaries	24,119	124
Amounts due to non-wholly owned subsidiaries	(192)	(737)

Amounts due to and from non-wholly owned subsidiaries are with ASK SA, Bemrose Booth Paragon Limited, Gresset Services SAS and Paragon Identification SAS, all non-wholly owned subsidiaries.

Material transactions and amounts outstanding at the Statement of Financial Position date with other related parties:

	2017	2016
	€000	€000
Interest received	62	-
Cash and cash equivalent	3,100	-

This includes an interest bearing cash deposit held with Next Week Limited, a company that shares a common director.

Remuneration of key management personnel is not included as it is disclosed in note 3.

Balances due to/from wholly owned group entities are included in notes 12 and 13.

20. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Paragon Group Limited. It has included Grenadier Holding plc in its Group financial statements, copies of which are available from its registered office which is Park House, 16 – 18 Finsbury Circus, London, EC2M 7EB.

21. Reserves

Share premium

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

Capital reduction reserve

This reserve arose on consolidation of A Ordinary shares of £0.01 each and B Ordinary shares of €0.01 each into Ordinary shares of €1.00 each.

Retained earnings

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