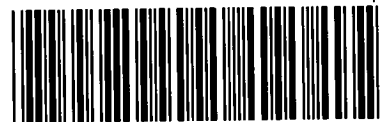


Grenadier Holdings plc

Report and Financial Statements

30 June 2018

TUESDAY



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COMPANIES HOUSE

Directors

P J Crean
L T Salmon
L P Estival

Secretary

R J Cahill

Auditors

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

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
Leicester
LE87 2BB

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 2018.

Principal activity and review of the business

The Company acts as an intermediate parent undertaking. It holds shares in and provides management services to various Group undertakings.

The loss for the year after taxation amounted to €2,651,000 (2017 – profit of €106,668,000). No dividend was paid during the year (2017 – €nil).

On 7 April 2018, the Company borrowed €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. The proceeds are to be used to fund future acquisitions.

On 26 July 2017, the Company acquired 3% of the issued share capital of Bee Buzziness SAS. On 25 November 2017, the Company increased its investment in Gresset Services SAS to 80% of the entire issued share capital. The cost of these investments amounted to €1,154,000.

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 has negotiated low fixed interest rates in order to minimise the Groups exposure to interest rate risk.

The Company has raised loan notes which bear a fixed rate of interest of between 4 to 5%, subject to a grid margin. 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. On 7 April 2018, the Company raised €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. The repayment date is 6 April 2025.

Credit risk

All transactions are with Group companies. This risk is mitigated through regularly reviewing and monitoring of Group companies. The Company has no risk of exposure to external credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has no liquidity risk as it holds €141,000,000 of listed debt, with repayment due between 2025 and 2026.

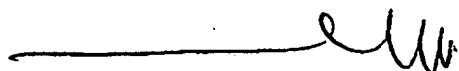
The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents. The level of headroom needed is reviewed annually as part of the companies planning process.

Strategic report

Foreign currency risk

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

On behalf of the Board



L T Salmon

Director

11 January 2019

Registered No. 03591693

Directors' report

The directors present their report and financial statements for the year ended 30 June 2018.

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

Results and dividends

The loss for the year after taxation amounted to €2,651,000 (2017 – profit of €106,668,000). No dividend was paid during the year (2017 – €nil).

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

In July 2018, the Group acquired Imprimus Limited (formally Stralfors UK Limited). In September 2018, the Group increased its investment in BeeBuzziness SAS to 14% of the entire issued share capital. In October 2018, the Group acquired the trade and certain assets of Prisme Solutions SAS in France. In October 2018, the Group acquired part of the trade and certain assets in France of Arvato France, this deal has an effective date on 1 January 2019. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of Airweb SAS in France. In November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration. In November 2018, the Group, completed the acquisition of the rcDDM Group in Germany. In December 2018, Grenadier Holdings plc completed the acquisition of Despark UK Limited.

Political and charitable contributions

During the year, the Company did not make any political or charitable contributions (2017 – €nil).

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 and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Ernst & Young LLP retired as auditors during the year. We would like to acknowledge and thank them for their services over the years. Grant Thornton UK LLP were appointed as auditors during the year. A resolution to reappoint Grant Thornton UK LLP as auditors will be put to the members at the Annual General Meeting.

Disclosure of information to the auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board



L T Salmon

Director

11 January 2019

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Grenadier Holdings PLC (the 'company') for the year ended 30 June 2018 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, 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 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 30 June 2018 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 Auditor's 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 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.

Who we are reporting to

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.

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.



Overview of our audit approach

- Overall materiality: €1.26m, which represents 0.9% of the company's net assets;
- The key audit matter identified was the recoverability of intercompany balances and investments.

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 that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p>Recoverability of intercompany balances and investments</p> <p>The Company has investments in subsidiary companies of €131m and intercompany loan receivables of €135m. Management's investment strategy is to buy companies in distress with the aim of turning these companies around and making them profitable.</p> <p>As such, there is a risk that certain investments may be impaired and a risk that intercompany loans may not be recoverable. During the year, management have concluded that no impairment charges should be recognised in respect of investments and that all intercompany balances are recoverable except for one balance from a subsidiary where this entity was discontinued during the financial year. The assessment includes a number of management judgements and is therefore subject to a high degree of uncertainty and therefore a heightened risk of misstatement.</p> <p>We therefore identified carrying value of investments and intercompany balances as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <p>Investments:</p> <ul style="list-style-type: none"> • Challenging management assessment of impairment indicators relating to investments; • Considering the group reporting from component auditors (in relation to the Paragon Group Limited audit) to see if any significant investments have shown signs of impairments • We have considered the implications of Paragon Group's goodwill impairment review for evidence of underperforming subsidiaries. <p>Inter-company balances:</p> <ul style="list-style-type: none"> • In respect of inter-company balances receivables, we have confirmed all balances with the corresponding subsidiaries. We have evaluated the ability of the respective subsidiaries to make payment of the full amount with the net asset position at year end • We have evaluated management's assessment to write down the balance due from a discontinued subsidiary and ensured the correct treatment has been applied.

Key Audit Matters

How the matter was addressed in the audit

The company's accounting policy investments and financial assets is shown in note 1 to the financial statements and related disclosures are included in notes 7, 12 and 20.

Key observations

Our audit testing did not identify any material misstatements in the recoverability of intercompany balances or in respect of investments. We tested management's assessment of the recoverable amount of investments and intercompany balances, and from the audit procedures performed we found that in both cases the carrying value was not materially misstated.

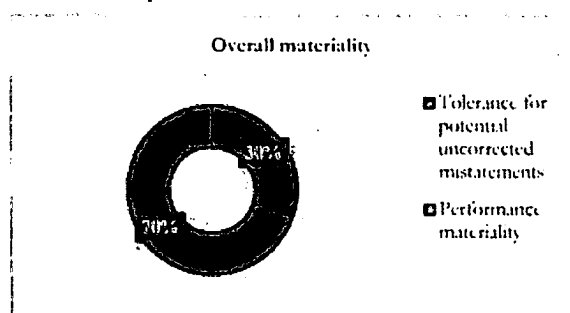
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be €1.26m which is 0.9% of net assets. This benchmark is considered the most appropriate because the entity is largely a holding company with intercompany activity to distribute funding received from the listed debt.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality.

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



We determined the threshold at which we will communicate misstatements to the Board to be €68,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

We also determine specific materiality of €1 for directors' remuneration and related party transactions due to these being material by nature.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- Planning meetings with management to gain an update on the business during the year;
- After planning discussions with management, we undertook specific procedures to enable us to evaluate the company's revenue recognition and also evaluate management's position of the recoverability of investments and intercompany balances.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 for the financial statements

As explained more fully in the statement of directors' responsibilities 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.

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.



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

11 January 2019

Income statement

for the year ended 30 June 2018

		2018	2017
	Notes	€000	€000
Revenue		6,810	6,726
Administrative expenses		(8,362)	(7,354)
Operating loss	2	(1,552)	(628)
Dividend income from shares in Group undertakings		-	3,205
Gain on sale of investments	5	-	107,171
Gain on licence of intangibles	6	2,400	-
Intercompany loan impairment and write-off	7	(1,865)	(1,318)
Finance income	8	2,401	715
Finance expense	9	(4,289)	(2,682)
(Loss)/Profit before tax		(2,905)	106,463
Income tax credit	10	254	205
(Loss)/Profit for the year		(2,651)	106,668

All of the above operations are continuing.

Statement of comprehensive income

for the year ended 30 June 2018

There is no other comprehensive income other than the losses attributable to the shareholders of the Company for the year of €2,651,000 (2017 – profit of €106,668,000).

The notes on pages 14 to 31 form part of these financial statements.

Statement of Financial Position

at 30 June 2018

	Notes	2018 €000	2017 €000
Fixed assets			
Intangible assets	11	877	528
Shares in Group undertakings	12	131,361	130,207
Deferred tax asset	15	585	220
		<u>132,823</u>	<u>130,955</u>
Current assets			
Amounts owed by Group undertakings	13	134,630	76,341
Other debtors	13	393	548
Income tax receivable		-	28
Cash and cash equivalents	13	31,742	3,419
		<u>166,765</u>	<u>80,336</u>
Creditors: amounts falling due within one year			
Amounts due to subsidiary undertaking	14	17,158	18,469
Trade and other payables	14	3,719	2,583
Deferred income		2,400	-
Income tax payable		189	-
		<u>23,466</u>	<u>21,052</u>
Net current assets		143,299	59,504
Total assets less current liabilities		<u>276,122</u>	<u>190,239</u>
Creditors: amounts falling due after more than one year			
Loans	16	139,761	51,227
Net assets		<u>136,361</u>	<u>139,012</u>
Capital and reserves			
Share capital	17	122	122
Share premium	21	2,518	2,518
Capital reduction reserve	21	30	30
Retained earnings	21	133,691	136,342
Total equity		<u>136,361</u>	<u>139,012</u>

The notes on pages 14 to 31 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 11 January 2019 and were signed on the Board's behalf by:



L T Salmon

Director

Statement of changes in equity

for the year ended 30 June 2018

	<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 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>

	<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 2017	122	30	2,518	136,342	139,012
Loss for the year	-	-	-	(2,651)	(2,651)
<i>Balance at 30 June 2018</i>	<u>122</u>	<u>30</u>	<u>2,518</u>	<u>133,691</u>	<u>136,361</u>

The notes on pages 14 to 31 form part of these financial statements.

Notes to the financial statements

at 30 June 2018

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 directors have, at the time of approving the financial statements, 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 of accounting in preparing the financial statements.

The Euro/Sterling exchange rate at 30 June 2018 was 1.13 (2017 – 1.14).

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.

Notes to the financial statements

at 30 June 2018

1. Accounting policies (continued)

Investments

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

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

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

Impairment of financial assets

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

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.

Notes to the financial statements

at 30 June 2018

1. Accounting policies (continued)

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 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 Holdings plc's financial statements are prepared in Euro as the majority of the Company's transactions are denominated in Euro.

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.

Notes to the financial statements

at 30 June 2018

1. Accounting policies (continued)

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.

Gain on licence of intangibles

The Company receives income from an exclusive two-year licence for the use of the Paragon brand name. Income received is from Paragon Customer Communications Limited and Bemrose Booth Paragon Limited. The Paragon brand name is an internally generated asset which is not being recognised on the Company's Statement of Financial Position. The gain on the licence of intangibles has been recognised over the life of the licence.

Dividends

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

Judgements and key sources of estimation uncertainty

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

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

Intercompany balances

The directors have reviewed the recoverability of the remaining intercompany balances and no further impairment is required.

Forecasts and discount rates

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

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

Deferred tax assets

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements

at 30 June 2018

2. Operating loss

This is stated after charging:

	2018 €000	2017 €000
Foreign exchange loss	125	245
Auditor's remuneration – audit services	137	134
– non-audit services	-	68
Staff costs (note 4)	939	853
Amortisation of intangibles (note 11)	418	436

Auditor's remuneration is in respect of Paragon Group Limited and subsidiaries and is borne by this Company. Non-audit services relate to covenant reports and taxation services in the previous year.

3. Directors' remuneration

	2018 €000	2017 €000
Remuneration	573	581
Company contributions paid to money purchase scheme	54	-
	No.	No.
Members of money purchase pension schemes	4	1

The remuneration from the Company of the highest paid director was €288,000 (2017 – €281,000). The contributions paid into money purchase pension schemes for the highest paid director were €48,000 (2017 – €nil).

4. Staff costs

	2018 €000	2017 €000
Wages and salaries	872	725
Social security costs	47	104
Other pension costs	20	24
	939	853

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

	2018 No.	2017 No.
Administration	6	6

Notes to the financial statements

at 30 June 2018

5. Gain on sale of investments

	2018	2017
	€000	€000
Gain on sale of investments	-	107,171

In the previous financial year gains on investment arose 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 Paragon ID SA and MeillerGHP SARL to Paragon Transaction SA.

6. Gain on licence of intangibles

	2018	2017
	€000	€000
Gain on licence of intangible	2,400	-

This gain arose on the grant of an exclusive two-year licence to Paragon Customer Communications Limited and Bemrose Booth Paragon Limited for the use of the Paragon brand name. This gain will be recognised over the period of the licence which is two years.

7. Intercompany loan impairment and write-off

	2018	2017
	€000	€000
Intercompany loan impairment and write-off	(1,865)	(1,318)

During the year the Company provided in full for an intercompany loan with KSB Group B.V, as payment became doubtful. In the previous financial year, the Company wrote off the entire amount of its amounts due from Holmbergs i Malmo AB. This was done to improve Holmbergs i Malmo AB's equity position.

Notes to the financial statements

at 30 June 2018

8. Finance income

	2018	2017
	€000	€000
Interest receivable from Group undertakings	2,361	653
Interest receivable on cash equivalents	40	62
	<u>2,401</u>	<u>715</u>

9. Finance expense

	2018	2017
	€000	€000
Interest payable to Group undertakings	537	469
Loan note interest	2,998	1,111
Foreign exchange losses on retranslation of intercompany loan balances	613	1,037
Amortised loan note issuance costs	141	65
	<u>4,289</u>	<u>2,682</u>

Notes to the financial statements

at 30 June 2018

10. Income tax credit

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

	2018 €000	2017 €000
<i>Current tax</i>		
Current period	120	205
In respect of prior periods	(231)	-
<i>Total current tax credit</i>	<u>(111)</u>	<u>205</u>
Deferred tax current period	365	-
In respect of prior periods	-	-
Effect of change in rates	-	-
<i>Total deferred tax credit (note 15)</i>	<u>365</u>	<u>-</u>
<i>Total income tax credit</i>	<u>254</u>	<u>205</u>

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

	2018 €000	2017 €000
<i>(Loss) / profit before tax</i>	<u>(2,905)</u>	<u>106,463</u>
Tax calculated at a rate of 19% (2017 – 19.75%)	(552)	21,026
Non-taxable income	(456)	(21,273)
Non-taxable dividend income	-	(633)
Non-deductible expenses	471	403
Adjustments in respect of prior periods	231	-
Current year losses	-	148
Group relief not at the standard rate	52	124
<i>Total income tax credit</i>	<u>(254)</u>	<u>(205)</u>

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

Notes to the financial statements

at 30 June 2018

11. Intangible assets

	<i>Software</i> <i>€000</i>
<i>Cost:</i>	
At 1 July 2017	2,799
Additions	767
At 30 June 2018	<u>3,566</u>
<i>Accumulated amortisation:</i>	
At 1 July 2017	2,271
Charge for the year	418
At 30 June 2018	<u>2,689</u>
<i>Net book value:</i>	
At 30 June 2018	<u>877</u>
At 1 July 2017	<u>528</u>

12. 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	80%	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 (U.K) 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 2018

12. Shares in Group undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Paragon ID UK 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
C.B.F. 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
Paragon ID SA	France	Ordinary	77.5%	PID
ASK IntTag	USA	Ordinary	77.5%	(12) PID
ASK Asia HK Limited	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 (Realty) 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 (Nottingham) Limited	England	Ordinary	100%	(22) PCC
Paragon Data Analytics Limited	England	Ordinary	100%	(22) PCC

Notes to the financial statements

at 30 June 2018

12. Shares in Group undertakings (continued)

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Netprint Kristiansand 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
Burall Infosmart Limited	England	Ordinary	77.5%	(17) PID
Burall InfoSys Limited	England	Ordinary	100%	(17) Dormant
Brite IP Limited	England	Ordinary	100%	(18) Dormant
Njaljus AB	Sweden	Ordinary	100%	(9) PGS
Paragon MeillerGHP Holdings GmbH	Germany	Ordinary	100%	Parent undertaking
Paragon Customer Communications Schwandorf GmbH	Germany	Ordinary	100%	(10) PCC
Paragon Customer Communications Czech a.s	Czech Republic	Ordinary	100%	(15) PCC
Paragon Customer Communications SP z.o.o	Poland	Ordinary	100%	(15) PCC
MeillerGHP AB	Sweden	Ordinary	100%	(15) PCC
Paragon Magnadata USA Inc.	USA	Ordinary	100%	(11) PID
Paragon Identification Pty Limited	Australia	Ordinary	100%	(11) PID
Inter Routage Sologne SAS	France	Ordinary	100%	(4) PCC
SCI de L'erigny	France	Ordinary	100%	(14) PCC
Paragon Customer Communications (Finsbury Circus) Limited	England	Ordinary	100%	(20) PCC
Paragon Customer Communications (Redruth) Limited	England	Ordinary	100%	(20) PCC
Paragon Customer Communications Korschbroich GmbH	Germany	Ordinary	100%	(15) PCC
Amatech Group Limited	Ireland	Ordinary	75.39%	
Feinics Amatech Teoranta	Ireland	Ordinary	75.39%	(25) PID
Amatech Precision GmbH	Germany	Ordinary	75.39%	(25) PID
Amatech Inc.	USA	Ordinary	75.39%	(25) PID
Paragon Customer Communications (Pilsen) s.r.o	Czech	Ordinary	100%	(27) PCC

Notes to the financial statements

at 30 June 2018

Global Document Systems	England	Ordinary	100%	(1) PCC
Immobiliere Grenadier France SAS	France	Ordinary	100%	(3) Property Holding

Joint ventures

Inlays India Private Limited	India	Ordinary	56.32%	(22) Dormant
DSI Billing Services Limited	England	Ordinary	50%	(24) PCC

Associates

Response Handling Centre Limited	England	Ordinary	34%	(24) PCC
European Direct Mail Specialists Limited	England	Ordinary	50%	(24) PCC

Investments

Intercopy AB	Sweden	Ordinary	7%	(9) PGS
Output AG	Germany	Ordinary	6%	(26) PCC
BeeBuzziness SAS	France	Ordinary	3%	PCC

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

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

Notes to the financial statements

at 30 June 2018

12. 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 (U.K.) Limited
- (5) Held via Paragon Transaction (U.K.) 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 Burall Infosys Limited
- (18) Held via ASK Asia HK Limited
- (19) Held via Paragon Customer Communications Limited
- (20) Held via Lateral Holdings Limited
- (21) Held via Lateral Group Limited
- (22) Held via dsicmm Group Limited
- (23) Held via Paragon Customer Communications (London) Limited
- (24) Held via Amatech Group Limited
- (25) Held via Paragon Customer Communications Korschbroich GmbH
- (26) Held via Paragon Customer Communications Czech a.s.

Notes to the financial statements

at 30 June 2018

15. Deferred tax

An analysis of the deferred tax asset is as follows:

	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Temporary differences	220	220	-	-
Trading losses	365	-	38	148

Reconciliation of opening to closing deferred tax asset position:

	<i>€000</i>
At 1 July 2017	220
Credit in the year	365
At 30 June 2018	585

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 €1,918,000 that are available indefinitely for offset against the Company's future taxable profits. The deferred tax asset of €220,000 at 30 June 2017 has been reclassified from current to non-current in the financial statements for the year ended 30 June 2018 as the Company was loss making for the year ended 30 June 2018.

16. Loans

On 7 April 2018, the Company raised €89,000,000 on loan notes that were admitted to trading on the Luxembourg MTF market. There are 890 loan notes with a face value of €100,000 each. The repayment date is 6 April 2025.

In the previous financial year 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 repayment date is 15 December 2023

The proceeds are to be used to fund future acquisitions.

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>2018</i>	<i>2017</i>
	<i>€000</i>	<i>€000</i>
Loan notes	141,000	52,000
Capitalised issuance costs	(1,239)	(773)
	139,761	51,227

Notes to the financial statements

at 30 June 2018

17. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2018</i> <i>€000</i>	<i>No.</i>	<i>2017</i> <i>€000</i>
Ordinary shares of €1.00 each	122,210	<u>122</u>	122,210	<u>122</u>

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

18. Events since the Statement of Financial Position date

In July 2018, the Group acquired Imprimus Limited (formally Stralfors UK Limited). In September 2018, the Group increased its investment in BeeBuzziness SAS to 14% of the entire issued share capital. In October 2018, the Group acquired the trade and certain assets of Prisme Solutions SAS in France. In October 2018, the Group acquired part of the trade and certain assets in France of Arvato France, this deal has an effective date on 1 January 2019. In November 2018, the Group agreed to acquire 50% of the entire issued share capital of Airveb SAS in France. In November 2018, the Group acquired the trade and certain assets of Paperhat Communications Limited in Administration. In November 2018, the Group, completed the acquisition of the rcDDM Group in Germany. In December 2018, Grenadier Holdings plc completed the acquisition of Despark UK Limited.

19. Contingent liabilities

In the directors' opinion there are no contingent liabilities.

20. 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 Paragon ID SA, Bemrose Booth Paragon Limited, Paragon France SAS, Gresset Services SAS, Next Week & Co Limited, Service Point Solutions S.A., Service Point Facilities Management Iberica S.A., Service Point Belgium NV 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	132	155
Interest received	1,269	206
Interest expense	<u>2</u>	<u>-</u>

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

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

Interest expense includes Gresset Services SAS and Paragon France SAS both non-wholly owned subsidiaries of the Company.

Notes to the financial statements

at 30 June 2018

20. 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	37,368	24,119
Amounts due to non-wholly owned subsidiaries	(72)	(192)

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

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

	2018	2017
	€000	€000
Interest received	40	62
Amounts due to other related parties	43	-
Amounts due from other related parties	215	-
Cash and cash equivalent	-	3,100

Interest received arises in respect of the Next Week Limited cash deposit.

Amounts due to other related parties represents the business travel expenses of a director, to be reimbursed by Grenadier Holdings Limited.

Amounts due from other related parties represents an advance payment of management fees to a director by Grenadier Holdings Limited.

Cash and cash equivalent in the prior year included 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 4.

Balances due to/from wholly owned Group entities are included in notes 13 and 14.

21. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent undertaking is Paragon Group Limited. It has included Grenadier Holdings 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.

Notes to the financial statements

at 30 June 2018

22. 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.