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PROJECT QUILL HOLDING LIMITED

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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**PROJECT QUILL HOLDING LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	I M S Downie E M Kalawski M A Sigler
<b>Company secretary</b>	E M Kalawski
<b>Registered number</b>	10654833
<b>Registered office</b>	100 New Bridge Street London EC4V 6JA
<b>Independent auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

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**PROJECT QUILL HOLDING LIMITED**

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## PROJECT QUILL HOLDING LIMITED

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### Introduction

The directors present their first strategic report for Project Quill Holding Limited (the Company), for the period ended 31 December 2017.

#### Business review

The principal activity of the Company was that of a holding company. The principal activity of the Company and its subsidiaries (the Group) was the distribution and sale of goods and services for the office, in Australia and New Zealand.

#### Financial key performance indicators

The key financial and other performance indicators during the period were as follows:

	2017
	\$000
Revenue	545,411
Gross profit	161,693
Loss for the period	<u>(29,259)</u>

#### Management discussion and analysis

The Company was incorporated on 6 March 2017. The Company's first year of incorporation witnessed the successful acquisition of Winc Australia Holdings Pty Limited on 29 April 2017. As such, the Group's results displayed above represent 8 months of trading for the business from the date of acquisition.

Sales revenue of the Group was \$545,411,000, in line with expectation. Cost of sales was \$383,718,000, in line with the expectation. The reported loss for the reporting period of \$29,259,000, largely contributed by acquisition, transaction and transformation costs incurred in the first operation year.

#### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are broadly grouped as competitive/technological risks and financial instrument risks.

##### *Competitive/technological risks*

The Group's sales and distribution activities are exposed to the risk of competitive pressure, as customers 'shop around' through digital channels to quickly compare product. To limit the impact of this customer behaviour, and also to limit its exposure to the decline in traditional stationery categories, the Group continues to diversify its product offering and invest in its services offerings.

##### *Financial instrument risks*

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk, and foreign currency risk.

##### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses long-term debt finance. Since the period end, due to refinancing, the

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**PROJECT QUILL HOLDING LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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Group repaid its existing debt in full and entered into a new loan facility with Bank of America N.A.

***Interest rate risk***

The Group is exposed to interest rate risk on its outstanding borrowings from the possibility that changes in interest rates will affect future cash flows or the fair value of fixed interest rate financial instruments.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

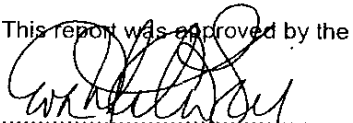
The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

***Foreign currency risk***

The Group incur foreign currency risk mainly on borrowings denominated in a currency other than the functional currency of the respective group companies. The major currency giving rise to currency risk is the US dollar.

This report was approved by the board and signed on its behalf.



**E M Kalawski**

Director

Date: 27 September 2018

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## PROJECT QUILL HOLDING LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the period ended 31 December 2017.

#### Principal activity

The principal activities of the economic entity constituted by the Company and the entities it controlled during the period were the distribution and sale of goods and services for the office, in Australia and New Zealand. On the date of this report, the ultimate holding company of the Company is PE QIQ Holding Limited.

During the financial period there was no significant change in the nature of those activities.

#### Results and dividends

The loss for the period, after taxation, amounted to \$29,259,000.

No dividends have been paid or proposed during the period.

#### Directors

The directors who served during the period were:

I M S Downie (appointed 7 March 2017)  
E M Kalawski (appointed 7 March 2017)  
M A Sigler (appointed 7 March 2017)  
L James (appointed 6 March 2017, resigned 9 March 2017)  
Abogado Custodians Limited (appointed 6 March 2017, resigned 9 March 2017)  
Abogado Nominees Limited (appointed 6 March 2017, resigned 9 March 2017)

#### Qualifications of Company Secretary

Eva Monica Kalawski was appointed as Company Secretary on 8 March 2017 and continues to be in office at date of this report.

#### Future developments

Other than the post year end events noted below At the date of this report the Directors are not aware of any other likely developments that would significantly affect the operations of the economic entity or its results over the next financial year.

On 6 February 2018, the company completed the acquisition of the OfficeMax International Pty Limited and its subsidiaries.

On 21 March 2018, the group completed a recapitalisation of its debt in the credit agreement with Bank of America.

On 3 May 2018, the company's subsidiary, Project Inkquill (NZ) I Limited completed the acquisition of OfficeMax Holdings Limited.

On 2 July 2018, Winc New Zealand Limited, a subsidiary of the company, was sold to a purchaser approved by the New Zealand Commerce Commission (NZCC).

#### Indemnification and insurance of officers and auditors

##### Indemnification

Under the Company's constitution, every person who is or has been an officer of the Company or a subsidiary of

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## PROJECT QUILL HOLDING LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2017

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the Company, is entitled to be indemnified out of the property of the Company to the relevant extent against:

- (i) every liability incurred by the person in the capacity as an officer (except a liability for legal costs); and
- (ii) all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil, criminal or of an administrative or investigatory nature, in which the officer becomes involved in that capacity, unless:
  - (i) the Company is forbidden by statute to indemnify the person against the liability or legal costs; or
  - (ii) an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by statute.

The Directors and a Company Secretary have entered into a Deed of Access and Indemnity which reflects the terms of the constitution as set out above. No indemnity agreement, the terms of which are beyond that which is contained in the Company's constitution, has been entered into with a director, officer or auditor of the Company. No amounts have been paid under any of these indemnities.

#### *Insurance*

During the financial period the Company paid a premium in respect of a contract insuring all directors and officers against a liability incurred as such a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium paid.

#### *Auditors Indemnification*

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young LLP, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from Ernst & Young LLP's negligent, wrongful or willful acts or omissions. No payment has been made to indemnify Ernst & Young LLP during the period ended 31 December 2017 and up to the date of this report.

#### *Environment*

The Group operates predominantly in the distribution sector, and is committed to conducting its business with respect for the environment. During the financial period no particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory has applied to the Group or its operations.

#### *Changes in State of Affairs*

During the financial period there was no significant change in the state of affairs of the economic entity other than any referred to in the Financial Statements or notes thereto.

#### *Going concern*

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance and the Group's management of its principal risks and uncertainties, show that the Group and its subsidiaries should be able to operate within the level of its current facilities and resources and also meet forecast covenant measures.

After making enquiries, management and the directors have a reasonable expectation that the Group and its subsidiaries has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the 30 December 2017 financial statements.

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## PROJECT QUILL HOLDING LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### Employees

The Group is committed to promoting equal opportunities in employment and maintains an Equal Opportunities Policy. The Board believes that diversity improves effectiveness and enhances the success of the Company. Employment opportunities are given to disabled people equally.

#### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

#### Post year end events

On 6 February 2018, the company completed the acquisition of the OfficeMax International Pty Limited and its subsidiaries.

On 21 March 2018, the group completed a recapitalisation of its debt in the credit agreement with Bank of America.

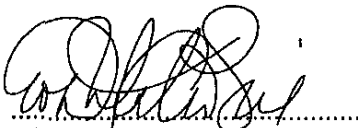
On 3 May 2018, the company's subsidiary, Project Inkquill (NZ) Limited completed the acquisition of OfficeMax Holdings Limited and its subsidiaries in New Zealand.

On 2 July 2018, Winc New Zealand Limited, a subsidiary of the company, was sold to a purchaser approved by the New Zealand Commerce Commission (NZCC).

#### Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

*This report was approved by the board and signed on its behalf.*



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E M Kalawski

Director

Date: 27 September 2018



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## PROJECT QUILL HOLDING LIMITED

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### DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017

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The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Consolidated and Company financial statements in accordance with applicable United Kingdom law and regulation.

Company law requires the directors to prepare consolidated and company financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and the company financial statements in accordance with FRS101 (Financial Reporting Standard 101) 'Reduced disclosure Framework' as issued by the Financial Reporting Council.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. Under company law the directors must not approve the company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period.

In preparing the consolidated and the company 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, for the consolidated financial statements they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements and for the company financial statements they have been prepared in accordance with FRS101 (Financial Reporting Standard 101) 'Reduced disclosure Framework' as issued by the Financial Reporting Council, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that both the consolidated financial statements and the Company financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements and company financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

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## PROJECT QUILL HOLDING LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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#### Opinion

We have audited the financial statements of Project Quill Holding Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 31 December 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 19 - 28. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Conclusions relating to going concern

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 group's or the parent 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.

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## PROJECT QUILL HOLDING LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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#### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information.

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.

#### 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 period 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.

#### Matters on which we are required to report by exception

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

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 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 78, 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.

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**PROJECT QUILL HOLDING LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

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**Responsibilities of directors (continued)**

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

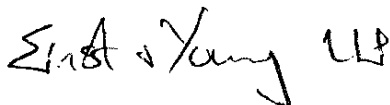
**Auditor's responsibilities for the audit of the Group financial statements**

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

**Use of our report**

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



Philip Young (Senior Statutory Auditor)  
for and on behalf of  
**Ernst & Young LLP**  
1 More London Place  
London  
SE1 2AF

Date: 22 September 2018

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PROJECT QUILL HOLDING LIMITED

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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	Note	2017 \$000
Revenue	6	545,411
Cost of sales		(383,718)
<b>Gross profit</b>		<b>161,693</b>
Administrative expenses		(165,112)
Distribution expenses		(21,468)
<b>Loss from operations</b>		<b>(24,887)</b>
Finance income	10	107
Finance expense	10	(8,812)
<b>Loss before tax</b>		<b>(33,592)</b>
Tax credit	11	4,333
<b>Loss for the period</b>		<b>(29,259)</b>
<b>Loss for the period attributable to:</b>		
Owners of the parent		(29,259)
		<u>(29,259)</u>

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**PROJECT QUILL HOLDING LIMITED**

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**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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	<b>2017 \$000</b>
<b>Loss for the period</b>	<b>(29,259)</b>
<b>Items that will or may be reclassified to profit or loss:</b>	
Exchange gains arising on translation on foreign operations	<b>47</b>
	<b>47</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>47</b>
<b>Total comprehensive income</b>	<b>(29,212)</b>
<b>Total comprehensive income attributable to:</b>	
Owners of the parent	<b>(29,212)</b>
	<b>(29,212)</b>

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**PROJECT QUILL HOLDING LIMITED**  
**REGISTERED NUMBER: 10654833**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

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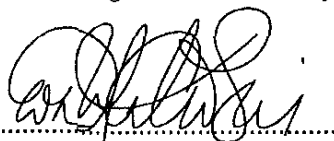
	Note	2017 \$000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12	6,175
Other intangible assets	13	62,378
Goodwill	14	35,871
Deferred tax assets	11	4,058
		<hr/> 108,482
<b>Current assets</b>		
Inventories	16	86,435
Trade and other receivables	17	156,457
Cash and cash equivalents	27	6,482
		<hr/> 249,374
<b>Total assets</b>		<hr/> <b>357,856</b> <hr/>

**PROJECT QUILL HOLDING LIMITED**  
**REGISTERED NUMBER: 10654833**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2017**

	Note	2017 \$000
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Trade and other liabilities	18	1,440
Loans and borrowings	19	232,737
Provisions	20	7,940
		<u>242,117</u>
<b>Current liabilities</b>		
Trade and other liabilities	18	130,971
Loans and borrowings	19	2,833
Provisions	20	11,147
		<u>144,951</u>
<b>Total liabilities</b>		<u>387,068</u>
<b>Net liabilities</b>		<u>(29,212)</u>
<b>Issued capital and reserves attributable to owners of the parent</b>		
Share capital	21	-
Foreign exchange reserve	22	47
Retained deficit		(29,259)
		<u>(29,212)</u>
<b>TOTAL EQUITY</b>		<u>(29,212)</u>

The financial statements on pages 12 to 51 were approved and authorised for issue by the board of directors and were signed on its behalf by:



**E M Kalawski**

Director

Date: 27 September 2018



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**PROJECT QUILL HOLDING LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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	Foreign exchange reserve \$000	Retained deficit \$000	Total attributable to equity holders of parent \$000	Total equity \$000
<b>At 6 March 2017</b>	-	-	-	-
<b>Comprehensive income for the period</b>				
Loss for the period	-	(29,259)	(29,259)	(29,259)
Other comprehensive income	47	-	47	47
<b>Total comprehensive income for the period</b>	47	(29,259)	(29,212)	(29,212)
<b>Contributions by and distributions to owners</b>				
Issue of share capital	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-
<b>At 31 December 2017</b>	<u>47</u>	<u>(29,259)</u>	<u>(29,212)</u>	<u>(29,212)</u>

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**PROJECT QUILL HOLDING LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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	<b>2017</b>
	<b>\$000</b>
<b>Cash flows from operating activities</b>	
Loss for the period	(29,259)
	<u>(29,259)</u>
<b>Adjustments for</b>	
Depreciation of property, plant and equipment	3,952
Amortisation of intangible assets	7,810
Amortisation of capitalised borrowing cost	631
Income tax expense	4,333
<b>Net cash used in operating activities</b>	<u>(12,533)</u>
<b>Cash flows from investing activities</b>	
Acquisition of subsidiary, net of cash acquired	(139,769)
Purchase of subsidiary, deposit paid	(10,000)
Purchases of property, plant and equipment	(1,064)
Proceeds from disposal of property, plant and equipment	158
Purchase of intangibles	(4,155)
<b>Net cash used in investing activities</b>	<u>(154,830)</u>
<b>Cash flows from financing activities</b>	
Net proceeds from borrowings	173,845
<b>Net cash from financing activities</b>	<u>173,845</u>
<b>Net cash increase in cash and cash equivalents</b>	<u>6,482</u>
Cash and cash equivalents at the beginning of period	-
<b>Cash and cash equivalents at the end of the period</b>	<u><u>6,482</u></u>

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PROJECT QUILL HOLDING LIMITED

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NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies

##### 1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- *has the ability to use its power to affect its returns.*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.2 Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

##### 1.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 1.2) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### 1.4 Revenue

Revenue is measured as the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

###### (i) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.4 Revenue (continued)

###### (ii) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from the time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

##### 1.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

###### The Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 1.6). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### 1.7 Employee benefits

###### (i) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

###### (ii) Contributions from employees to third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

###### (iii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.



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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### (i) Current tax

The tax currently receivable is based on taxable loss for the period. Taxable loss differs from 'loss before tax' as reported in the Consolidated Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### (iii) Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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1. Accounting policies (continued)

1.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold improvements	6 - 10	years
Plant and machinery	3 - 8	years
Leased property, plant and equipment	3 - 8	years

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

1.10 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Trademarks	3 - 10	years
Software licences	3 - 10	years
Customer relationships	3 - 5	years

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.10 Intangible assets (continued)

###### (ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### 1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

##### 1.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### 1.13 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.14 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

##### 1.15 Financial liabilities and equity instruments

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.15 Financial liabilities and equity instruments (continued)

###### Financial liabilities (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 24.

###### *Other financial liabilities*

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### 1.16 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate.

#### 2. Reporting entity

Project Quill Holding Limited (the 'Company') is a limited company incorporated in the United Kingdom under the Companies Act. The Company's registered office is at 100 New Bridge Street, London, England, EC4V 6JA. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in the distribution and sale of goods and services for the office, in Australia and New Zealand.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 3. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). They were authorised for issue by the Company's board of directors on *27 September 2018*.

Details of the Group's accounting policies, including changes during the period, are included in note 1.

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 5.

#### 3.1 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

##### Items

Goodwill is measured at the lower of historical cost and fair value.

#### 3.2 Changes in accounting policies

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

#### IFRS 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of IFRS 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ("OCI"). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard in financial year 2018, ending 31 December 2018, but the impact of this adoption is yet to be assessed by the group.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 3.2 Changes in accounting policies (continued)

##### IFRS 15 Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard in financial year 2018, ending 31 December 2018, but the impact of its adoption is yet to be assessed by the Group.

##### IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 7 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 7. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard in financial year 2019, ending 31 December 2019, but the impact of its adoption is yet to be assessed by the Group.

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**4. Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand (\$000), unless otherwise indicated.

**5. Accounting estimates and judgments**

**5.1 Estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell model. These calculations require the use of assumptions.

**6. Revenue**

The following is an analysis of the Group's revenue for the period from continuing operations:

	2017 \$000
Sale of goods	544,679
Other income	732
	<u>545,411</u>

Analysis of revenue by country of destination:

	2017 \$000
Australia	491,953
New Zealand	53,458
	<u>545,411</u>



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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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7. Auditors remuneration

	2017 \$000
Fees in respect of the audit of the Consolidated and Parent Company Financial Statements, including audit of consolidation returns	94
Fees in respect of the audits of the subsidiary companies Financial Statements, including audit of consolidation returns	377
Tax advisory services	29
<b>Total auditors remuneration</b>	<b>500</b>

8. Operating loss

Operating loss is stated after charging:

	2017 \$000
Employee benefits expense	89,503
Travel and entertainment expenses	2,235
Transport and distribution expenses	21,468
Occupancy expenses	15,787
Depreciation and amortisation expenses	11,762
Advertising and marketing expenses	1,575
Administration expenses	7,212
Restructuring expenses	3,086
Repairs and maintenance expenses	492
Professional and legal fees	23,437
Contract labour cost	5,581
Insurance expenses	1,669
Other expenses	2,773
	<b>186,580</b>

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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9. Employee benefit expenses

Average number of employees for the period:

	2017 No.
General & administrative staff	313
Supply chain & warehouse staff	525
Sales & operating staff	672
<b>Total average employees for the period</b>	<b>1,510</b>

2017  
\$000

Employee benefit expenses (including directors) comprise:

Wages and salaries	78,761
National insurance	4,153
Defined contribution pension cost	6,560
	<b>89,474</b>

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

During the financial year key management personnel received remuneration of \$3,235,034, see note 25. The amounts are recognised as an expense during the reporting period. Key management personnel also purchased goods which were domestic or trivial in nature from the Group on the same terms and conditions available to other employees.

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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10. Finance income and expense

Recognised in profit or loss

	2017 \$000
<b>Finance income</b>	
Interest on:	
Other interest receivable	107
<b>Total finance income</b>	<u>107</u>
<b>Finance expense</b>	
Bank interest payable	(3,316)
Intercompany loan interest payable	(4,865)
Amortisation of capitalised borrowing cost	(631)
<b>Total finance expense</b>	<u>(8,812)</u>
<b>Net finance income recognised in profit or loss</b>	<u><u>(8,705)</u></u>

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2017 \$000
Total interest income on financial assets	107
Total interest expense on financial liabilities	(8,812)
	<u><u>(8,705)</u></u>

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**11. Tax expense**

**11.1 Income tax recognised in profit or loss**

	<b>2017 \$000</b>
<b>Current tax</b>	
Current tax on profits for the period	324
	<u>324</u>
<b>Deferred tax</b>	
Origination and reversal of timing differences	(4,657)
	<u>(4,657)</u>
	<u>(4,333)</u>
<b>Total tax expense</b>	
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	(4,333)
	<u>(4,333)</u>

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the period are as follows:

	<b>2017 \$000</b>
(Loss)/profit for the period	(29,259)
Income tax expense (including income tax on associate, joint venture and discontinued operation)	(4,333)
	<u>(33,592)</u>
<b>(Loss)/profit before income taxes</b>	
Tax using the Company's domestic tax rate of 30%	(10,078)
Non-tax deductible amortisation of goodwill and impairment	561
Utilisation of tax losses	(92)
Change in unrecognised deferred tax assets	5,131
Difference in tax rates in jurisdictions	145
	<u>(4,333)</u>
<b>Total tax expense</b>	

**Changes in tax rates and factors affecting the future tax charges**

There were no factors that may affect future tax charges.

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**11. Tax expense (continued)**

**11.2 Deferred tax balances**

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated financial statements:

	<b>2017 \$000</b>
Deferred tax assets	<b>4,058</b>

	<b>Recognised in profit or loss \$000</b>	<b>Acquisition \$000</b>	<b>Closing balance \$000</b>
<b>2017</b>			
Plant, equipment and software	532	-	532
Intangible assets acquired	(11,503)	(599)	(12,102)
Provision for employee entitlements	4,928	-	4,928
Provisions and accrued expenses	2,281	-	2,281
Provisions for impairment receivables	3,521	-	3,521
Lease incentive	2,485	-	2,485
Other items	2,413	-	2,413
	<b>4,657</b>	<b>(599)</b>	<b>4,058</b>

PROJECT QUILL HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

12. Property, plant and equipment

	Leasehold improvements \$000	Plant and equipment \$000	Leased plant and equipment \$000	Total \$000
Additions	-	1,064	-	1,064
Acquisition of subsidiary	1,316	7,466	439	9,221
Disposals	-	(17)	-	(17)
<b>At 31 December 2017</b>	<b>1,316</b>	<b>8,513</b>	<b>439</b>	<b>10,268</b>
	Leasehold improvements \$000	Plant and equipment \$000	Leased plant and equipment \$000	Total \$000
<b>Accumulated depreciation and impairment</b>				
Charge owned for the period	600	3,139	213	3,952
Exchange adjustments	65	76	-	141
<b>At 31 December 2017</b>	<b>665</b>	<b>3,215</b>	<b>213</b>	<b>4,093</b>
<b>Net book value</b>				
At 31 December 2017	651	5,298	226	6,175

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**13. Intangible assets**

	Trademarks \$000	Software licences \$000	Customer relationships \$000	Total \$000
<b>Cost</b>				
Additions - external	229	3,926	-	4,155
On acquisition of subsidiaries	-	24,129	41,923	66,052
<b>At 31 December 2017</b>	<b>229</b>	<b>28,055</b>	<b>41,923</b>	<b>70,207</b>
	Trademarks \$000	Software licences \$000	Customer relationships \$000	Total \$000
<b>Accumulated amortisation and impairment</b>				
Charge for the period	41	6,372	1,397	7,810
Foreign exchange movement	19	-	-	19
<b>At 31 December 2017</b>	<b>60</b>	<b>6,372</b>	<b>1,397</b>	<b>7,829</b>
<b>Net book value</b>				
At 31 December 2017	169	21,683	40,526	62,378

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**14. Goodwill**

	<b>2017 \$000</b>
Cost	35,871
	<u>35,871</u>
	<b>2017 \$000</b>
<b>Cost</b>	
Acquired through business combinations	35,871
<b>At 31 December</b>	<u>35,871</u>
<b>Accumulated impairment</b>	
Impairment recognised in the period	-
<b>At 31 December</b>	<u>35,871</u>



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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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15. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2017
1) Project Quill I Pty Limited	Australia	100%
2) Project Quill II Pty Limited*	Australia	100%
3) Project Quill III Pty Limited*	Australia	100%
4) Project Quill IV Pty Limited	Australia	100%
5) Winc Australia Holdings Pty Limited*	Australia	100%
6) Winc Australia Bid Company Pty Limited*	Australia	100%
7) Winc Australia Pty Limited	Australia	100%
8) Corporate Express Supply Chain Pty Limited*	Australia	100%
9) CE Direct Pty Limited*	Australia	100%
10) CER New Zealand Limited*	New Zealand	100%
11) Corporate Express Employee Share Plan Company Pty Limited*	Australia	100%
12) Winc New Zealand Limited	New Zealand	100%
13) Corporate Express Print Management Limited*	New Zealand	100%
14) Restructure (Vic) Pty Limited*	Australia	100%
15) The Educational Experience Pty Limited	Australia	100%
16) Teacher Direct Limited*	New Zealand	100%
17) Project Inkquill I Pty Limited	Australia	100%
18) Project Inkquill II Pty Limited	Australia	100%
19) Project Inkquill (NZ) I Limited	New Zealand	100%

\* Indicates the subsidiary is a dormant entity, a holding entity or an employee share plan trustee company.

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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Details of the Group's material subsidiaries registered office at the end of the reporting period are as follows:

<b>Name of subsidiary</b>	<b>Registered office</b>
1) Project Quill I Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
2) Project Quill II Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
3) Project Quill III Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
4) Project Quill IV Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
5) Winc Australia Holdings Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
6) Winc Australia Bid Company Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
7) Winc Australia Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
8) Corporate Express Supply Chain Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
9) CE Direct Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
10) CER New Zealand Limited	49 Waiouru Road, Highbrook Business Park, Auckland, 2013 New Zealand
11) Corporate Express Employee Share Plan Company Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
12) Winc New Zealand Limited	49 Waiouru Road, Highbrook Business Park, Auckland, 2013 New Zealand
13) Corporate Express Print Management Limited	49 Waiouru Road, Highbrook Business Park, Auckland, 2013 New Zealand
14) Restructure (Vic) Pty Limited	163 O'Riordan St Mascot NSW 2020, Australia
15) The Educational Experience Pty Limited	49 Oakdale Road, Gateshead, NSW 2290, Australia
16) Teacher Direct Limited	49 Waiouru Road, Highbrook Business Park, Auckland, 2013 New Zealand
17) Project Inkquill I Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
18) Project Inkquill II Pty Limited	Tower One - International Towers Sydney, 100 Barangaroo Avenue, NSW, 2000, Australia
19) Project Inkquill (NZ) I	Level 22, Vero Centre, 48 Shortland Street, Auckland 1010 NZ

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**16. Inventories**

	2017 \$000
Finished goods and goods for resale	105,408
Finished goods at fair value less costs to sell	(18,973)
	<u>86,435</u>

During the period, \$310,597,280 of inventories was recognised as an expense in cost of goods sold.

During the period, \$345,584 of inventories has been written down and recognised as an expense, in cost of goods sold.

**17. Trade and other receivables**

	2017 \$000
Trade receivables	112,778
Less: provision for impairment of trade receivables	(3,069)
<b>Trade receivables - net</b>	<u>109,709</u>
Other current assets	2,895
Deferred taxation	4,058
Other receivables	43,853
<b>Total trade and other receivables</b>	<u>160,515</u>
Less: current portion - trade receivables	(109,709)
Less: current portion - prepayments and accrued income	(2,895)
Less: current portion - other receivables	(43,853)
<b>Total current portion</b>	<u>(156,457)</u>
<b>Total non-current portion</b>	<u>4,058</u>

A provision of \$3,069,000 for the Group has been established against specific customers where collection is considered impaired, to reduce the receivable to its recoverable amount. No individual amount within the impairment allowance is material.

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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17. Trade and other receivables (continued)

Movements in the impairment allowance for trade receivables are as follows:

	2017 \$000
At 6 March	-
Movements in the period	3,090
Receivable written off during the period as uncollectible	325
Unused amounts reversed	(346)
	<u>3,069</u>

18. Trade and other payables

	2017 \$000
Trade payables	89,088
Other payables	41,284
Accruals	2,039
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<u>132,411</u>
Less: current portion - trade payables	(89,088)
Less: current portion - other payables	(41,284)
Less: current portion - accruals	(599)
<b>Total current portion</b>	<u>(130,971)</u>
<b>Total non-current position</b>	<u>1,440</u>

**PROJECT QUILL HOLDING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

**19. Loans and borrowings**

	2017 \$000
<b>Non-current</b>	
Bank loans - secured	232,737
	<u>232,737</u>
<b>Current</b>	
Bank loans - secured	2,833
	<u>2,833</u>
<b>Total loans and borrowings</b>	<u><u>235,570</u></u>

(i) On 29 April 2017, Project Quill IV Pty Ltd entered into a bank term loan with Bank of America for \$20,000,000 with a maturity date of 29 April 2021. Loan outstanding as at 31 December 2017 amounts to \$19,000,000 less establishment fee of \$825,200.

(ii) On 29 April 2017, Project Quill IV Pty Ltd entered into a bank revolver loan with Bank of America for the facility of \$80,000,000 with a maturity date of 29 April 2022. Loan outstanding as at 31 December 2017 amounts to \$58,175,000 less establishment fee of \$3,300,800.

(iii) On 26 May 2017, Project Quill I Pty Limited entered into a loan with Bank of America for a principal amount of US\$83,750,000 at a maturity date of 30 July 2022. Additional principal amounts of US\$2,000,000 have been received during the period.

(iv) On 26 May 2017, the Group entered into a loan with Bank of America for a principal amount of US\$30,000,000 at a maturity date of 30 July 2022. Additional principal amounts of US\$11,000,000 has been received during the period.

**20. Provisions**

	Onerous lease \$000	Employee entitlements \$000	Total \$000
Charged to profit or loss	-	12,725	12,725
On business combinations	6,362	-	6,362
<b>At 31 December 2017</b>	<u><u>6,362</u></u>	<u><u>12,725</u></u>	<u><u>19,087</u></u>
Due within one year or less	-	11,147	11,147
Due after more than one year	6,362	1,578	7,940
	<u><u>6,362</u></u>	<u><u>12,725</u></u>	<u><u>19,087</u></u>

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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20. Provisions (continued)

**Onerous lease**

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

**Employee entitlements**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

21. Share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Voting rights attaching to the ordinary shares are, on a show of hands, one vote for every person present as a member, proxy, attorney or representative thereof, and on a poll, one vote per share for every member present in person or by proxy, attorney or representative.

**Authorised**

	2017 Number
Ordinary shares of \$1.00 each	100
	<u>100</u>

**Issued and fully paid**

	2017 Number
<i>Ordinary shares of \$1.00 each</i>	
Shares issued	100
	<u>100</u>
At 31 December	-

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**22. Reserves**

**Foreign exchange reserve**

Foreign exchange reserve represents the balance on translation of foreign subsidiaries.

**23. Leases**

**Operating leases - lessee**

The total future value of minimum lease payments is due as follows:

	2017 \$000
Not later than one year	11,632
Between one year and five years	43,049
Later than five years	18,135
	<hr/>
	72,816

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## PROJECT QUILL HOLDING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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#### 24. Financial instruments - fair values and risk management

##### 24.1 Financial risk management objectives

The Group's principal financial instruments comprise bank loans and other borrowings and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

##### 24.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses long-term debt finance. Since the period, due to refinancing, the Group repaid its existing debt in full and entered into a new loan facility with Bank of America N.A.

##### 24.3 Interest rate risk

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

##### 24.4 Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

##### 24.5 Foreign currency risk

The Group is exposed to foreign currency risk mainly on borrowings denominated in a currency other than the functional currency of the respective group companies. The major currency giving rise to currency risks is the US dollar. However the borrowing in US dollar is long term, only interest is paid monthly.



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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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**25. Related party transactions**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

**25.1 Compensation of key management personnel**

The remuneration of key management personnel during the period was as follows:

	2017 \$000
Short-term benefits	3,235
	<u>3,235</u>

**25.2 Other related party transactions**

Other related party transactions are as follows:

Related party relationship	Transaction amount 2017 \$000	Balance owed 2017 \$000
Loan from related parties	(148,576)	-
Loan from related parties converted to bank base rate loan	148,576	-
Management fee owed to related parties	(2,630)	(2,630)
Expense recharge paid to related parties	11,891	-
Interest paid to related parties	502	-
Deposits owed from related parties	10,000	10,000
	<u>19,763</u>	<u>7,370</u>

No provision for impairment of receivables has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

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PROJECT QUILL HOLDING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017

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26. Business combinations during the period

26.1 Subsidiaries acquired

On the 29 April 2017, Project Quill IV Pty Limited, a subsidiary of the Company acquired 100% of issued share capital of Staples Australia Holdings Pty Limited and its subsidiaries. Staples Australia Holdings Pty Limited, subsequently changed its name to Winc Australia Holdings Pty Limited.

Name	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred \$000
Staples Australia Holdings Pty Limited	Holding company	29/04/17	100	218,082
				<u>218,082</u>

26.2 Consideration transferred

	Staples Australia Holdings Pty Limited \$000
Cash	13,082
Transfer of land and buildings at fair value at date of acquisition	205,000
	<u>218,082</u>

There is no cash flow movement caused by the loan acquired for the business combination.

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**26. Business combinations during the period (continued)**

**26.3 Assets acquired and liabilities recognised at the date of acquisition**

	<b>Staples Australia Holdings Pty Limited \$000</b>	<b>Total \$000</b>
<b>Non-current assets</b>		
Property, plant and equipment	9,221	9,221
Intangible assets	66,054	66,054
Deferred tax asset	61	61
<b>Current assets</b>		
Cash and cash equivalents	8,808	8,808
Trade and other receivables	149,804	149,804
Inventories	84,610	84,610
Other current assets	1,720	1,720
<b>Non-current liabilities</b>		
Deferred lease incentive	(2,351)	(2,351)
Deferred tax liabilities	(760)	(760)
Provisions	(8,142)	(8,142)
<b>Current liabilities</b>		
Trade and other liabilities	(112,141)	(112,141)
Deferred lease incentive	(924)	(924)
Provisions	(13,749)	(13,749)
	<u>182,211</u>	<u>182,211</u>

**26.4 Goodwill arising on acquisition**

	<b>Staples Australia Holdings Pty Limited \$000</b>	<b>Total \$000</b>
Consideration transferred	218,082	218,082
Fair value of identifiable net assets acquired	(182,211)	(182,211)
	<u>35,871</u>	<u>35,871</u>

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**PROJECT QUILL HOLDING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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**26. Business combinations during the period (continued)**

**26.5 Net cash outflow on acquisition**

	<b>2017 \$000</b>
Consideration payable	13,082
Less: cash and cash equivalent balances acquired	(8,808)
	<u><u>4,274</u></u>

**27. Notes supporting statement of cash flows**

	<b>2017 \$000</b>
Cash at bank available on demand	6,482
Cash and cash equivalents in the statement of financial position	<u>6,482</u>
Cash and cash equivalents in the statement of cash flows	<u><u>6,482</u></u>

**28. Events after the reporting date**

On 6 February 2018, the company completed the acquisition of the OfficeMax International Pty Limited and its subsidiaries.

On 21 March 2018, the group completed a recapitalization of its debt in the credit agreement with Bank of America.

On 3 May 2018, the company's subsidiary, Project Inkquill (NZ) Limited completed the acquisition of OfficeMax Holdings Limited and its subsidiaries in New Zealand.

On 2 July 2018, Winc New Zealand Limited, a subsidiary of the company, was sold to a purchaser approved by the New Zealand Commerce Commission (NZCC).

**29. Controlling party**

The immediate parent company is PE QIQ Holding III Limited. The ultimate parent company and controlling party is PE QIQ Holding Limited, a company incorporated in England and Wales, which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the financial statements of PE QIQ Holding Limited can be obtained from 100 New Bridge Street, London, United Kingdom, EC4V 6JA, its registered office.

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**PROJECT QUILL HOLDING LIMITED**  
**REGISTERED NUMBER: 10654833**

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**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

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	2017
	\$000
Note	
<b>Assets</b>	
<b>Non-current assets</b>	
Fixed asset investment	33      40,000
Trade and other receivables	34      10,244
	<u>50,244</u>
<b>Current assets</b>	
Trade and other receivables	34      420
Cash and cash equivalents	2,255
	<u>2,675</u>
<b>Total assets</b>	<u>52,919</u>
<b>Liabilities</b>	
<b>Non-current liabilities</b>	
Loans and borrowings	36      52,571
	<u>52,571</u>
<b>Current liabilities</b>	
Trade and other liabilities	35      1,787
	<u>1,787</u>
<b>Total liabilities</b>	<u>54,358</u>
<b>Net liabilities</b>	<u>(1,439)</u>

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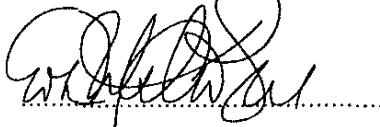
**PROJECT QUILL HOLDING LIMITED**  
**REGISTERED NUMBER: 10654833**

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		2017
	Note	\$000
<b>Issued capital and reserves attributable to owners of the parent</b>		
Share capital	37	-
Retained deficit		(1,439)
<b>Total Equity</b>		<u>(1,439)</u>

The Company reported a loss for the period ended 31 December 2017 of \$1,439.

The financial statements on were approved and authorised for issue by the board of directors and were signed on its behalf by:



**E M Kalawski**

Director

Date: 27 September 2018

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**PROJECT QUILL HOLDING LIMITED**  
**REGISTERED NUMBER: 10654833**

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**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2017**

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	Share capital	Retained deficit	Total equity
	\$000	\$000	\$000
<b>At 6 March 2017</b>	-	-	-
<b>Comprehensive income for the period</b>			
Loss for the period	-	(1,439)	(1,439)
<b>Total comprehensive income for the period</b>	-	(1,439)	(1,439)
<b>Contributions by and distributions to owners</b>			-
Issue of share capital	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-
<b>At 31 December 2017</b>	-	(1,439)	(1,439)

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**30. Significant accounting policies**

Please refer to Note 2 for full details of the Company's incorporation, registered office, operations and principal activity.

Please refer to Note 28 regarding the Company's ultimate controlling party.

The separate financial statements of the Company are prepared as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS101 (Financial Reporting Standard 101) Issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS101 (Financial Reporting Standard 101) 'Reduced disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements except as noted below. These have been applied consistently throughout the year.

**31. Fixed asset investments**

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

**32. Profit for the year**

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present to present its own profit loss account for year. Project Quill Holding Limited reported a loss for the period ended 31 December 2017 of \$1,439,000.

The only employees of the Company are the Directors who are not remunerated through the Company.

**33. Fixed asset investments**

	<b>2017</b>
	<b>\$000</b>
<b>Assets</b>	
<b>Cost</b>	
Additions	40,000
At 31 December 2017	40,000
<b>Net book value</b>	
At 31 December 2017	40,000

Details of the principal subsidiaries can be found in note 15 of the Consolidated financial statements of the Group.



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**34. Trade and other receivables**

	<b>2017</b>
	<b>\$000</b>
Other receivables	10,664
<b>Total trade and other receivables</b>	<b>10,664</b>
Less: current portion - other receivables	<u>(420)</u>
<b>Total current portion</b>	<u>(420)</u>
<b>Total non-current portion</b>	<u><b>10,244</b></u>

**35. Trade and other payables**

	<b>2017</b>
	<b>\$000</b>
Other payables	1,587
Accruals	200
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<u><b>1,787</b></u>
Less: current portion - other payables	<u>(1,587)</u>
Less: current portion - accruals	<u>(200)</u>
<b>Total current portion</b>	<u><b>(1,787)</b></u>
<b>Total non-current portion</b>	<u><b>-</b></u>

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**36. Loans and borrowings**

	<b>2017</b>
	<b>\$000</b>
<b>Non-current</b>	
Bank loans - secured	<u>52,571</u>
<b>Total loans and borrowings</b>	<u><u>52,571</u></u>

On 26 May 2017, the group entered into a loan with Bank of America for a principal amount of US\$30,000,000 at a maturity date of 30 July 2022. Additional principal amounts of US\$11,000,000 has been received during the year.

**37. Share capital**

Details of share capital are included in note 21 of the Consolidated financial statements of the Group.

**38. Events after the reporting date**

Details of events after the reporting date are included in note 28 of the Consolidated financial statements of the Group.