

*QUALITY,  
INNOVATION,  
VALUE*



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£115.3m

Consumer Revenue up 6%. Continued growth in core sectors.



Accrol at a Glance

£139.7m

Total revenues up 3%



Chairman's Statement 6

Board of Directors 27



3

New Board members

## Who we are

*Leaders in  
soft tissue  
products*

Converter and supplier of toilet rolls, kitchen towels and facial tissues, as well as other tissue products, to major discounters and grocery retailers throughout the UK.



To find out more about who we are go to  
<http://www.accrol.co.uk/>

# Accrol at a glance

## Our sales

The tissue market in the UK continues to remain flat with 1% growth<sup>1</sup> across the tissue sector. The discount market continues to grow with the major discounters representing 17% of the overall tissue market and remains the fastest growing. Accrol's decision to focus on all discounters and major retailers has delivered further growth during this difficult year of 6%. Accrol remains the market leader in the discount sector with over 50% share of market by value.

## Technology and converting lines

The Group now has 10 state of the art converting lines in operation across its three sites with a further 3 acting as a contingency. This reduction in machinery follows the businesses exit of the Away from Home (AFH) business as part of its restructuring programme. The ongoing simplification of the product range has enabled the business to increase its capacity whilst taking old and under-performing machinery out.

## Product range

Accrol is able to manufacture toilet rolls, kitchen towels and facial tissues providing the best value solution for its customers and consumers. Everything we do is focused on their requirements. The way consumers shop is changing at a rapid pace. Our broad customer base gives us market insight across all consumer purchasing channels and our flexibility enables us to take advantage of this changing buying platform. Accrol is also the only tissue converter to offer a wholly-plastic free option.

## Growth amongst emergent retailers



### Aldi

Aldi is achieving the fastest category growth across the tissue sector with 16%<sup>1</sup> growth.

+16%

Tissue sector



### Tesco

Tesco is the only "big 4" retailer achieving growth in the sector<sup>1</sup> with 1% growth across the category and a 2% growth across its toilet tissue ranges

+2%

Growth

## Our global scale customers



## Our product range



### Toilet tissue

The business has grown 12% in this part of the sector. The total UK has seen growth of just 1%<sup>1</sup>. Accrol's renewed strategy of supplying the majority of the major discounters and retailers has enabled it to continue to grow. The profitable growth and improved pricing arrangements will continue to strengthen the business.

£75.8m

Toilet tissue revenue (+12% YoY)



### Kitchen towels

Business has remained flat through-out the period due in the main to capacity but as the organisation simplifies the range it will deliver further capacity to allow for continued profitable growth.

£28.5m

Kitchen towels revenue (-1% YoY)

<sup>(1)</sup> Kantar.



**Case study**

*“A step change for the business, retailers and consumers”.*

**Plastic free solutions**

Accrol is delighted to announce it has become the first UK tissue converter to offer customers a plastic-free solution on all its products, which include toilet roll, kitchen roll and facial tissues.

The Group has worked closely with its supply partners over the last six months to develop a new, commercially viable and environmentally beneficial paper wrap packaging solution for all its products. Accrol is now offering this plastic-free packaging to its customers, which include the major discounters and grocery retailers, enabling them to help consumers reduce single-use plastic consumption.

Plastic packaging has become the industry standard on tissue products over the last 30 years. Accrol’s move to offer the first plastic-free tissue packaging solution has been driven by high profile campaigns, led by the marine conservation society, on the environmental impact of plastic waste.



**Facial tissue**

As with the kitchen towel sector the volume has remained flat throughout the period due in the main to capacity constraints. The simplification and small investments into this part of the business will enable further profitable growth in parts of the market that fit the businesses core skills.

£11.3m

Facial tissue revenue (-10% YoY)



**Away from home (AFH)**

Following a strategic review of the business as part of the turn-around plan it was clear the organisation should exit this low margin high cost sector. As such the volumes have declined throughout the year with the business closing in August 2018.

£16.5m

Away from home (AFH) revenue (-15% YoY)

## Why invest in Accrol?

*“We are dedicated to operational efficiency and innovation that delivers market leading value for the end users of all our products”.*

### Best possible value

We will continue to look at markets and products that we feel consumers are not getting the best possible value from the branded players and supply products that do.

Significant market leading value for consumers. We aim to be the leading supplier of tissue-based products by being able to adapt to the changing consumer buying demands.

### How we do it

This is done through simplification of the total supply chain, being ruthless with all non-essential costs, and producing the best possible products of the highest quality. We call this world class basics which done well adds value to the retailers and consumers.

World  
class  
basics





## Our differentiators

### Insight

We work with the majority of the UK major retailers and discounters. This unique range of customers enables us to understand and help them grow market share in own label products from the major brands. With this understanding we are able to help drive more value to both the retailer and consumer by giving the best possible product for the best possible value.

### Innovation

Through our knowledge and understanding of how consumers shop we can help our customers grow and sell more. We work with our customers to develop new innovations that will help us lead the market (such as Oceans – the first plastic free toilet roll pack in the market).

We will continue to develop new materials and sources of the latest tissue technology with our partners across the globe. Our strength remains our ability to react quickly when new products come to market giving our customers a continued advantage against the traditional brands in the market place.

### Manufacturing

We manufacture toilet roll, kitchen towel and facial tissue to the highest possible standards. As a business we will continue to employ and leverage technology that ensures our cost base is the lowest in the industry whilst our quality is the highest delivering the best added value product into the consumer's homes.

### People

Having the right people in the right roles is vital; we will continue to be tireless in developing our teams and relentless in finding the best resource we can to enable the business to grow and develop.

Read more about how we run our business on pages 14-17.

# Chairman's Statement



## Simplifying our purpose

**Daniel Wright**  
Executive Chairman

This is my first statement as Executive Chairman of the Accrol Group, a role to which I acceded in February 2018.

The Group's issues during FY18 have been well documented since the profit warning we announced in October 2017, shortly after the appointment of our new CEO, Gareth Jenkins. In summary, Accrol's financial performance was impacted significantly by an escalation in internal costs, rapidly increasing input costs and adverse foreign exchange rate movements, exacerbated by the Company's hedging policy at the time. This resulted in a loss before tax for FY18 of £24.1 million.

### Results

	FY18	Restated FY17 <sup>3</sup>	Change
Revenue	£139.7m	£134.2m	+£5.5m
Adjusted EBITDA	(£5.8m) <sup>1</sup>	£15.2m	(£21.0m)
Adjusted (loss)/profit before tax	(£11.2m) <sup>2</sup>	£10.1m	(£21.3m)
(Loss)/profit before tax	(£24.1m)	£8.6m	(£32.7m)
Net debt	£33.8m	£19.2m	£14.6m

- (1) A number of post year adjustments have negatively affected Adjusted EBITDA and these include a loss of £0.24 million due to PoundWorld going into administration in June 2018 and a further loss of £0.14 million through a change in our accounting policy on goods sold below cost.
- (2) Exceptional costs include £5.7 million of cash items incurred during the year including £3.7 million relating to FX hedging losses. The remaining £7.2 million non-cash items include £3.2m provision for exiting onerous contracts and £2.5 million impairment of fixed assets.
- (3) Restated to correct prior period accounting errors resulting in a reduction to Adjusted EBITDA and Profit before tax of £0.8 million.

### Post year end Placing and Open Offer

Post the year end, the Company raised a further £7.5 million (net of expenses) by way of a Placing and a further £1.8 million (net of expenses) by way of Open Offer in June 2018 to:

### Our principles



#### Cash

The actions we take drive net debt down and returns to double digit EBITDA.



#### Control

We have in place the tools and controls to enable the business to make the right decisions.



#### People

We have the right people in the right roles with absolute clarity on what is required to make the business better.

- Continue the implementation of the restructuring programme to improve operational efficiencies and support commercial growth; and
- Support the future working capital requirements of the Group.

### Progress of the turnaround plan

The Board and senior management team of Accrol has changed fundamentally in the last 12 months. I am proud to lead this new, invigorated and appropriately experienced team, which is effecting a comprehensive turnaround plan, focused on improving operational efficiency, winning new business and pricing.

The foundations of the business are solid, notably Accrol's exposure to the thriving discounter segment and, with the consumer shift away from brands, the Group's luxury private label capabilities. We are intent on returning Accrol to the core capabilities on which its previous growth and success were built - commitment to customer service, emphasis on lowest-cost production and investment in product innovation, to deliver a stronger, more resilient and profitable business.

A great deal has been accomplished: customer confidence has been restored; the operating model has been re-engineered to minimise waste and optimise efficiency; and substantial cost has been extracted. The balance sheet is being repaired, through a focus on tight working capital management, controlled

investment and restored cash profitability. The Board remains mindful, however, that the operational changes, implemented in H1, must be consolidated in H2 before the business can be restored to controlled growth and appropriate levels of profitability.

The turnaround is on track, despite foreign exchange headwinds, and it is our firm belief that a successful outcome for shareholders and all the Group's stakeholders is achievable in the mid-term.

This recovery and progress would not have been possible without the support of our shareholders, who funded two substantial Placings and an Open Offer, and our bank, HSBC, who has remained supportive throughout. This funding has enabled us to accelerate the turnaround of the business and maintain the confidence of other stakeholders. As recently announced, a revised banking structure with appropriate covenant levels has now been put in place with the support of HSBC.

I also thank my colleagues throughout the organisation at Accrol for their resilience and unremitting hard work through turbulent times.

**Looking ahead**

As we move into H2 FY19, attention will be focused on our customers, helping them add value and ensuring all parties can grow profitably, and completing the implementation of our cost reduction turnaround plan.

Primary areas of focus over the next six months will be:

- The agreed exit of all external warehousing and implementation of new supply chain agreements;
- The completion of the product simplification process; and
- Further improvements in operational output per head driven by simplification and discipline.

Our actions to increase the number of our suppliers and to simplify tissue types is expected to impact working capital positively from the end of Q4 FY19. We have implemented a more flexible and appropriate forward buying strategy, in order to assist with our management of short-term adverse foreign exchange movements. An ongoing focus on all input costs is also expected to negate any wage inflation. Whilst we have already improved our procurement process significantly, we will continue to make adjustments and

Phases of Accrol's progression

**2018/2019  
Turnaround and stabilise**

**Cash**

- Generate cash
- Manage the costs

**Control**

- Recruit the team
- New IT system

**People**

- Replace the leadership team

**2019/2020  
Grow the business**

**Cash**

- Improve the terms
- Manage the costs

**Control**

- Tools for growth
- Shop Floor Data Capture

**People**

- Grow the business leadership
- Up skill operations

**2020/2021  
Leaders in the industry**

**Cash**

- Sustained EBITDA growth
- Manage the costs

**Control**

- Controlled growth

**People**

- Best in class HR

invest small amounts of capital to remove any unnecessary operational costs in the business.

**Board changes**

The Board of Accrol has changed significantly over the past 12 months. Gareth Jenkins joined as our new CEO in September 2017. I, having joined the Board as Non-Executive Director in December 2017, took on the role of Executive Chairman in February 2018. More recently, we welcomed a new Non-Executive Director, Euan Hamilton (August 2018) as well as Steve Townsley (June 2018), as our new Chief Financial Officer. In addition, Mark Dewhurst, who joined in September 2018, our new Chief Operating Officer brings significant operational expertise. These appointments have significantly enhanced the Board's and the senior management team's turnaround and financial expertise.

I am confident that we now have a Board which will support, effect and contribute to a successful turnaround strategy and our future growth ambitions. I look forward to working with all the Directors to ensure the best possible outcome for shareholders.

**Dividend**

As previously announced, the Board will not be proposing a final dividend. It remains the Board's intention to return to the dividend list at the earliest appropriate opportunity.

**Outlook**

The macro environment continues to be challenging: USD strength allied with other currencies' volatility; continued high paper costs; and upward pressure on labour and other operating costs create significant headwinds. The decline of Sterling against the USD since the beginning of the year has an annualised negative impact on costs of c£5 million alone. However, the business has a management team of substance, who have faced such commercial challenges before; the support of a growing customer base, which is well positioned to adapt to a market without brands; and a plan which is on track to manage costs back to industry-leading levels.

Accrol's trading performance remains sensitive to external macro-economic variables, including the Sterling/USD exchange rate and parent reel pricing, which can have a significant effect, positively or negatively, on the Company's financial performance. However, the new Board and management team is committed to building a business which is capable of riding such fluctuations to deliver appropriate levels of return to shareholders.

Despite the current headwinds faced by the business, the Group's performance in the first half of FY19 is as the Board expected and the Directors believe that Accrol is on track to achieve market expectations for FY19. Net debt as at 31 August 2018 was £25 million.

**Daniel Wright**

Executive Chairman  
27 September 2018

# Our market

In the UK, Accrol is recognised as the leading supplier of private label tissue-based products to traditional discounters and now the major retailers.

## “Continued decline of the Brands”.

At the core of the Accrol business is the broad range of customers we serve. Everything we do is focused on their requirements. The way consumers shop is changing at a rapid pace. Our broad customer base gives us market insights across all consumer purchasing channels and our flexibility enables us to take advantage of this changing buying platform.

In the UK the decline of the brands continues with the leader in the sector reporting more than a 6% decline<sup>(1)</sup> despite significant investment in promotional activity.

Our markets

UK total market<sup>(1)</sup>

Toilet tissue revenue – (£m)

Toilet tissue total market – (£m)

£75.8

£1,196

Market share  
2018: 6.3% (2017: 5.6%)

Kitchen towels revenue – (£m)

Kitchen towels total market – (£m)

£28.2

£361

Market share  
2018: 7.8% (2017: 7.9%)

Facial tissue revenue – (£m)

Facial tissue total market – (£m)

£11.3

£239

Market share  
2018: 4.7% (2017: 5.6%)

<sup>(1)</sup> Grocer March 2018.

<sup>(2)</sup> Source: Kantar.

## Key trends shaping our markets

## Our response

## Our objective

### Consumers continue to focus on value for money

The consumer continues to be focused on value for money products as they leave the major brands for products which offer better value.

Accrol as an organisation will continue to focus on the items we manufacture, supplying the right products for the right markets that are valued for their quality by the consumer. This simple strategy will enable the business to build on its strong supply position with all major discounters and retailers in the UK.

To be the leading supplier of private label tissue products to discounters and retailers. We will deliver this by being the lowest cost producer offering the best quality products with the highest possible service.

### Discounters continue to grow

With the major discounters still continuing to grow with Aldi and Lidl now commanding 7.3% and 5.4% market shares which is up 80% since 2013<sup>(2)</sup>. More importantly their cost bases and margin expectation are significantly lower than the big supermarkets are currently.

Accrol has become relentless on its focus on costs that will continue to position it well for this continued growth. We will build on our relationship we have with all major discounters.

To be the partner of choice across all players in this sector by delivering world class basics of leading quality and service with the best value products for both the discounter and consumers.

### The major retailers respond

The decline in major brands (Leading brand down 6%<sup>(1)</sup>) continues to drive further sales into private label options.

Accrol has a growing presence in the major retailers enabling the business to benefit as shopper continue to move purchasing decisions to lower cost better value products. From its strengthening supply position and our knowledge of what helps drive profitable growth we will be well placed as retailers consolidate and the private label sector grows.

To be the leading supplier of tissue-based products through our market knowledge and flexibility to ensure the retailers have the product that can out-perform the brands in quality and value for money.

*Strategic Report*

# Q&A with Gareth Jenkins CEO



**Q** You joined Accrol as CEO in September 2017. What has been achieved in that time?

**A** I joined Accrol because I believed at its core it was a good business and the products it produced were in demand from its customers. Over the 18 months since IPO a number of significant costs were added to the organisation - which we have now exited; but the benefits will take some time to come through.

More importantly for me we have simplified the business significantly into three core areas of toilet roll, kitchen towel and facial tissue. In the process we have reduced the number of different products and raw materials we supply and use by over 75%.

Our turnaround plan remains on track and I am pleased with the progress to-date.

Running along-side these operational changes, we have also grown the core business in the year by 6%, which to be honest shows the quality of the product we produce and the people we have in the organisation to help continue to drive the business forward despite the significant challenges we have had this year.

**Q** When you talk about “leading change” in the industry, what does that mean?

**A** For me the tissue industry in the UK needs a leader, and I don't see any reason why this shouldn't be Accrol. The sector is in real change with the brands losing market share every week. But you only become the leader by the actions you take and with the quality of people you have in an organisation. Over the last 6 months we have added some external expertise to the leadership team who all have experience in turnarounds and know what great looks like in operationally efficient businesses.

I am confident that we could not have a stronger team of people to help drive the improvements which are significant to transform the organisation into the business that can deliver the right levels of returns for our shareholders.

**Q** What measure have you taken to improve operational efficiency?

**A** The biggest immediate change was the exit of our AFH division which had poor levels of return with high input costs. It was also a part of the market where customers valued quality and value at a lower level than the rest of the business. This exit was the catalyst for the simplification of the business which is vital to be able to re-set the cost base to be able to compete and supply in the private label market.

We have an excellent range of customers who value the product we produce but let's not kid ourselves in thinking that we cannot be anything other than the leader in operational efficiency – to deliver this we have to be ruthless in our approach and have an attitude throughout the business of improving every day.

We have achieved a great deal in a short period of time – but there is lots more to do as we continue to deliver the turnaround plan.

## Our values



**We are challenging**  
We expect the best from each other, we are not afraid to challenge ourselves, our colleagues and our customers.



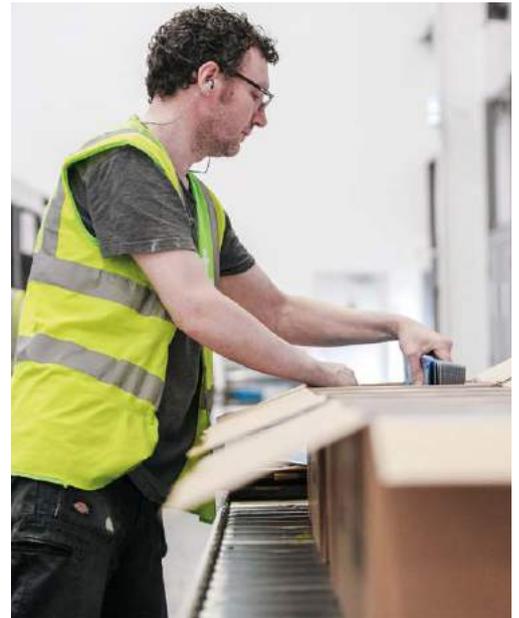
**We add value**  
We understand what makes our customers more successful, and we add value to everything we do.



**We are honest**  
We do the right thing in everything we do.



**We deliver**  
What we do we do well, we deliver the best quality service and products internally and externally.



*Strategic Report*

# Chief Executive Officer's Review



## Strengthen our core business

**Gareth Jenkins**  
Chief Executive Officer

The Group has reported an adjusted EBITDA loss of £5.8 million (FY17: profit £15.2 million). The significant step back from the previous years' performance resulted from an escalation in internal costs, driven by new external warehousing, shift changes and headcount increases. In addition, the business experienced rapidly increasing input costs and had long-term adverse FX hedges that it was unable to pass on in the early part of the year. Despite the very challenging period, revenue increased by 4% in total, 6% in the core consumer sector and 12% in toilet tissue.

Whilst I am disappointed to be reporting a loss for FY18, I joined Accrol because I believed its core business and markets were strong. Despite all the challenges the Group has faced since October last year, this has not changed. Accrol has a strong position with all the major discounters, and now the major grocery retailers, in the UK to supply private label toilet roll, kitchen towel and facial tissues.

### Strategy

Following a strategic review undertaken in the weeks following my appointment, it was very clear that action needed to be taken urgently to address operational inefficiencies and create a low-cost base from which the business could trade profitably. By concentrating on its traditional core strengths of low operational costs, machine efficiency and simplifying the range, the Group could return to its strong pre-IPO foundations on which to build an even stronger, more efficient business.

I am pleased to report that the turnaround plan is advancing well. However, it will take time to complete the final improvements, which we have already begun, to ensure the business is positioned to fully capitalise on the opportunities arising from the consumers shift away from major, well-known tissue brands as these continue to decline.

As a business, we are dedicated to operational efficiency and innovation that delivers significant market leading value for consumers. We aim to be the leading supplier of tissue-based

### Our strategy

1

**Grow our people**

2

**Grow our customers**

3

**Grow our returns**

Read more about how we plan to achieve this on pages 16 and 17

products by being able to adapt to the acceleration in the discounter channel and the changing consumer buying demands.

### Market overview

The decline of branded toilet roll sales through the major multiples and discount market continues. Over the last 12 months, the leading branded player has reported declines in sales of 6% year on year (The Grocer, March 2018). Discount and own branded products, however, have enjoyed a continuing increase in sales of 8.5% in Toilet Tissue. Own label sales now make up 48.4% of the toilet roll/tissue market, compared to 47% in March 2017 (Source: Kantar). I am pleased to report that our own sales in toilet tissue in the same period outperformed the market, growing by 12%, giving me considerable confidence for the successful future of the business.

### People

Good businesses start with the right people. It was clear that improvement was required across a number of levels of the organisation. The new management team we have put in place is of high calibre. The Group's Head of Manufacturing was replaced in November last year, when we appointed an FMCG operations expert with over 30-years' experience, most recently as UK Operations Director for Sonoco. Factory Managers at two of the Group's sites were also replaced in the first quarter of FY19, bringing in industry expertise from our major competitors.

Our most recent senior management appointment is Mark Dewhurst who joins from DS Smith where his final role was North Europe Operations Director. I am absolutely delighted that he has chosen to join Accrol. His decision endorses my own view that Accrol has an exciting future. I am certain that his knowledge of the industry and experience in transformational change and sustainable business improvement will benefit the Group significantly and, our shareholders.

Whilst amalgamating the right team takes time, we have already strengthened significantly across all departments and levels of the business and will continue to look for the best talent internally and externally as we grow. Everyone in the organisation is beginning to understand the role they play in making Accrol a better business. We are focused on employing dedicated, skilled and motivated people, who have clear and simple targets and actions to deliver to make the business better every day.

### Customers

At the core of our business is the broad range of customers we serve. Everything we do is focused on their requirements. The way consumers shop is changing at a rapid pace. Our broad customer base gives us market insight across all consumer purchasing channels and our flexibility enables us to take advantage of this changing buying platform. Accrol is also the only UK tissue converter to offer a plastic free option.

This approach has enabled us to secure significant new business wins, a key part of the Group's turnaround strategy, and to improve pricing arrangements. Since February 2018, in line with our budget expectations, we have secured revenue as follows:

- Volume on an extended contract with a major retailer worth £10 million pa;
- A new two-year agreement with a major discounter worth an additional £10 million pa;
- Volume growth and contract extension with a major discounter worth an additional £5 million pa;
- A two-year agreement with a major retailer for toilet roll business initially worth £12 million pa; and
- Essential price increases with our customers.

The business now has in place a number of longer-term supply agreements with appropriate commercial terms.

### Suppliers

We will continue the simplification process across the total supply chain, taking a ruthless approach to non-essential costs and producing the best possible products of the highest quality - the basics done well at value.

A supplier review continues with a further six tissue suppliers being added to the portfolio from Asia, South America, the Middle East and Europe. The Accrol business model enables the organisation to continue to source the latest developments in tissue technology. This ensures the best available materials are used to meet the changing dynamics with retailers and consumers.

### Operations

For the business to thrive and prosper it has to be a low cost, operationally efficient one and supply products to markets that deliver the right levels of return. To this end, we have made significant operational changes to the business:

- The closure of the Group's low margin Away From Home operations in August 2018;
- In September 2018, the lease on Skelmersdale was transferred for the entirety of the current 8.5 years still outstanding to a third party group. Accrol will relocate all product to newly installed racking and warehousing facilities at its three locations in Blackburn and Leyland. This is expected to deliver savings in excess of £5 million per year. The costs for delivering this change are in line with our budget expectations;
- Headcount has been reduced by c.43% since July 2017, despite an increase in sales volume;
- The number of SKUs, families of products and tissue types have now been substantially reduced by c.74%, c.60% and c.73% respectively;
- The implementation of an "end to end" Oracle based system is underway. This is expected to replace the existing finance system by Q4 of FY19. In addition, as part of the migration of finished goods stock back to the sites, a materials management system will give full visibility of raw materials and finished goods in real time to help support the businesses drive to reduce stock throughout the supply chain; and
- Adopting the latest paper types to help the Group remain competitive and lead innovation in the industry to benefit the consumer.

These changes are an important part of the Board's turnaround plan and demonstrate the significant improvements which have been made to date.

### Health and safety

Accrol takes the Health and Safety of its employees very seriously. Since October 2017 the business has employed an independent former HSE lead inspector to advise the new H&S teams that are in place covering all sites. In the last seven months to the end of July, we have seen an 8% reduction in our overall accident rates and a 4% reduction in near miss reporting compared to the previous seven-month period.

The business continues to work proactively with the HSE following the previous investigation and they remain supportive throughout the positive changes the business is making with regard to health and safety of its employees.

### Outlook

The turnaround plan has started well. Whilst we have made considerable progress in the first five months of FY19, there is still a great deal to do. As a team, we have absolute clarity that, as we deliver the turnaround, we also strengthen Accrol's fundamental business proposition, delivering growth through exceptional quality, service and innovations.

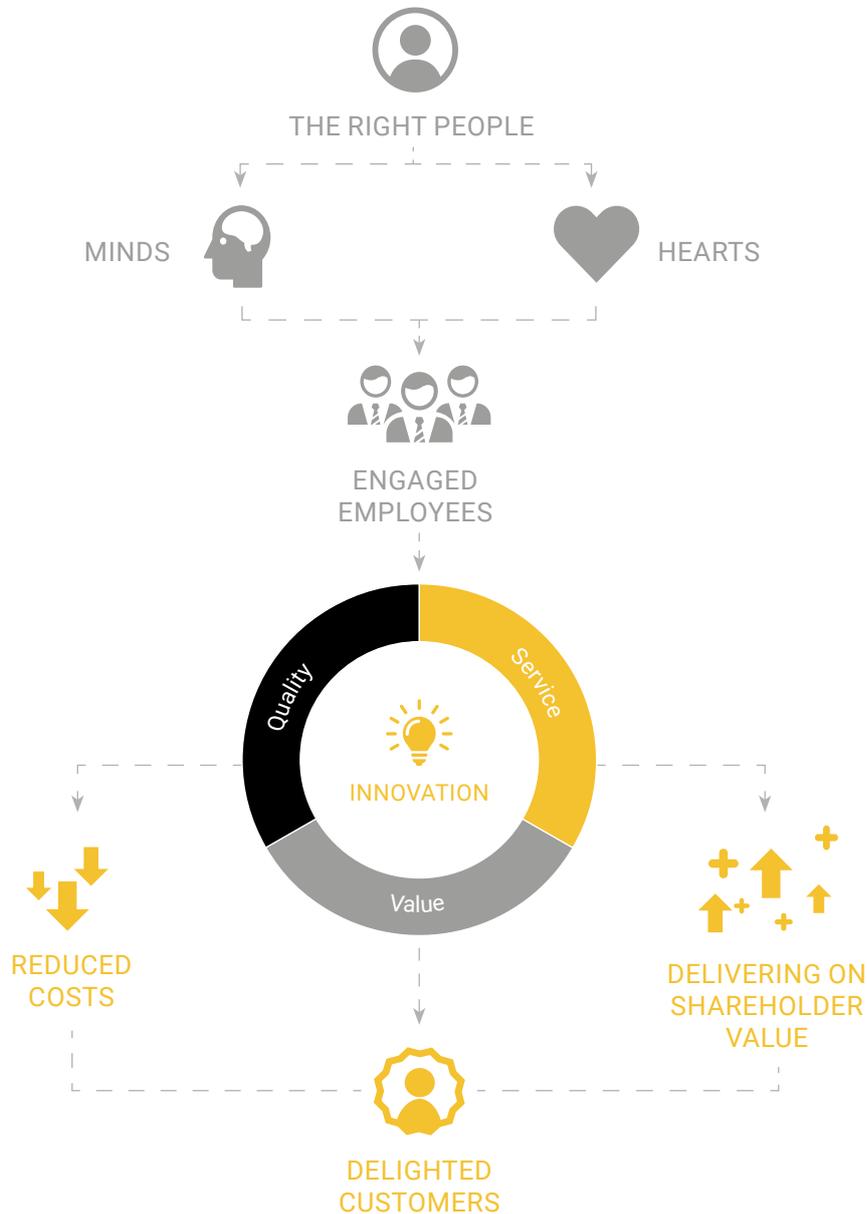
We have ambitious plans to continue to grow profitably, which will be the result of delivering great value, quality products to the consumer. The business is in a strong position due to the breadth of retailers we supply and the changing dynamic of buying habits away from the previously dominant, big brands. The differentiated position with customers, built on our investment and innovation-led expertise, and the changing market dynamics reinforces our confidence in the long-term prospects for the Group.

We still have a challenging six months ahead of us to complete all the major turnaround actions and ensure these are embedded into the organisation. Whilst the business has advanced considerably since the year end, the issues we have had to tackle have been significant. The work we have undertaken will provide strong foundations on which to return the Group to profitability. This, combined with the strength of our markets and the quality our products, gives the Board real confidence in the successful future of the Group.

### Gareth Jenkins

Chief Executive Officer  
27 September 2018

# Our business model and strategy



## What we use

### How we will deliver

#### 1 Financial Capital

To reduce costs

#### 2 People and values

We find and develop the right people internally and externally

#### 3 Control

The grip of the business.

#### 4 Customers

At the core of everything we do

#### 5 Operational Excellence

World class basics

### What we will deliver

#### 1 Cash

Positive cash

#### 2 Debt

<1.5x earnings

#### 3 Profit

>10%

## Our key market differentiators

### Insight

We work with the majority of the UK major retailers and discounters. This unique range of customers enables us to understand and help them grow market share in own label products from the major brands. With this understanding we are able to help drive more value to both the retailer and consumer by giving the best possible product for the best possible value.

### Innovation

Through our knowledge and understanding of how consumers shop we can help our customers grow and sell more. We work with our customers to develop new innovations that will help us lead the market (such as Oceans – the first plastic free toilet roll pack in the market).

We will continue to develop new materials and sources of the latest tissue technology with our partners across the globe. Our strength remains our ability to react quickly when new products come to market giving our customers a continued advantage against the traditional brands in the market place.

*“To be the leading supplier of tissue-based products to the consumer”.*

## What we have done

Our approach to capital allocation is based on the level of returns and the continued reduction of the operating cost base through automation and simplification.

We have recruited experienced and expert Executives within a revised organisational structure.

We have begun to identify development needs across key roles within the business.

We have developed a set of values we expect everyone to follow.

We have improved the commercial reporting at customer and SKU level and giving better information on profitability. In addition we have established an integrated sales, operations and buying forecast process to improve efficiency with more management interaction in purchasing to drive through efficiencies.

We have grown our core consumer customer base by supplying good products that are valued for their quality by the consumer.

We have simplified the business back to its core strength in toilet roll, kitchen towel and facial tissues, delivering the best quality and service.

Tighter cash management processes have been introduced through the working capital cycle. Improved creditor terms achieved in some areas and we have introduced a clear STOP process.

We have improved the debt position since the fund raise.

Introduced a cash profit at customer and SKU level to help drive margin improvement.

## What we will do

We will be relentless in our approach of removing costs from the business in a systematic way.

We will continue to look externally and internally for the right talent to drive our business forward.

To support this, we plan to develop an employee forum to engage with everyone in the business.

We intend to cascade our values which we expect everyone to follow when dealing with our customers and their colleagues.

With the introduction of new IT systems we will have end to end controls by the end of 18/19.

We will continue to build on our unique supply position to trade with all major retailers and discounters in the UK within 24 months and replace brands as they decline.

We will have a relentless approach to drive costs from the business to off-set our inflationary increases.

Continue to drive improved terms with our suppliers and our customers.

We intend to accelerate debt paydown as trading normalises.

We will continue to review the portfolio to improve margins and returns aligning the range to the core operational strengths of the business.

### Understanding

We manufacture toilet roll, kitchen towel and facial tissue to the highest possible standards. As a business we will continue to employ and leverage technology that ensures our cost base is the lowest in the industry whilst our quality is the highest delivering the best added value product into the consumer's homes.

### People

Having the right people in the right roles is vital; we will continue to be tireless in developing our teams and relentless in finding the best resource we can to enable the business to grow and develop.

# Our business model and strategy continued

## Our strategy

### Grow our people

01

#### Grow our people

Our values are at the core of what we do, by engaging our people at all levels so they understand clearly the role they play in making the business better every day. This will be the foundation of everything we do.

02

#### Grow our customers

We strive to delight our customers by offering great service, quality and innovations. We do this by delivering on our promises and delivering value adding products.

03

#### Grow our shareholder value

We aim to deliver market leading profitability for our industry by growing our market share, investing in optimising our operations and being relentless in our cost controls.

Our values are at the core of what we do, by engaging our people at all levels so they understand clearly the role they play in making the business better every day will be the foundation of everything we do.

#### We do this by:

- Ensuring safety for all.
- Having a working environment that allows people to be part of the improvement.
- Having a personal development plan to help people understand how they can help improve the organisation.

#### Our Performance in 2017/18:

- An 8% improvement in LTA's from January 2018.
- A 4% improvement in near miss reporting from January 2018.

#### In 2018/19 we will:

- Introduce an employee forum to allow input and development of people.
- Continue the focus of health and safety across all our businesses.
- Introduce an employee survey to enable everyone to share their opinions.

#### Key Performance Indicator target:

0 accidents

#### Lost time accidents (LTA)

The number of accidents where an employee has missed more than one shift of work.



## Grow our customers

We strive to delight our customers by offering great service, quality and innovations. We do this by delivering on our promises and delivering value adding products.

**We do this by:**

- Delivering on our service and quality promises.
- Bringing new innovations to the industry which give best value.

**Our Performance in 2017/18:**

- Strong volume growth across the consumer sector.
- 12% growth in our toilet tissue sector.
- OTIF improvement from January 2019 onwards.

**In 2018/19 we will:**

- Grow our customer base across major retailers and discounters through partnerships by >10%.
- Invest and prioritise growth products and markets.
- Improve our service and quality levels.

**Key Performance Indicator targets:**

>98%

**OTIF**

Definition – the number of our deliveries that are delivered on time and in full.

<100

**Defects parts per million**

Definition – The number of returned or rejected items per million products supplied.



## Grow our shareholder value

We aim to deliver market leading profitability for our industry by growing our market share, investing in optimising our operations and being relentless in our cost control.

**We do this by:**

- Growing with our customers.
- Winning market share.
- Delivering on our turnaround plan.

**Our Performance in 2017/18:**

- Delivered on all our turnaround actions to date.
- Exited underperforming sector (AFH).

**In 2018/19 we will:**

- Complete the significant turnaround actions.
- Continue the business simplification process.
- Maximise the operational efficiency of all our businesses.

**Key Performance Indicator targets:**

>10%

**EBITDA**

Definition – Earnings before interest, tax, depreciation and adjusting items expressed as a percentage of revenue.

<1.5x

**Net debt/EBITDA**

Definition – Net debt over earnings before interest, tax, depreciation and amortisation.



*Strategic Report*

# Strategy in action

Investment in people is at the centre of the Group's service delivery.



## 1 Grow our people

By ensuring everyone is safe at work and understands clearly the role that they play in making the business better. By capturing their hearts and minds we know this becomes the foundation that good businesses are built upon and is a key building block in developing the business to enable it to grow profitably.





**2 Grow our customers**

By listening and understanding what drives sales success for our customers, by delivering world class basics of great quality and service we know we will continue to grow with our customers as the brands continue their decline. Innovation that is led by consumer demand will ensure we grow value for our customers and ourselves.



**3 Grow our shareholders value**

By forever focusing on and reducing our cost base with sound investment and industry leading operational excellence we will deliver industry leading levels of consistent returns that will enable us to reinvest and grow the business and deliver consistent shareholder value in the medium term.

# Chief Financial Officer's Review



## Delivering on our objectives

**Steven Townsley**  
Chief Financial Officer

### Results overview

	FY18	Restated FY17 <sup>3</sup>	Change
Revenue	£139.7m	£134.2m	£5.5m
Gross profit	£24.5m	£37.1m	(£12.6m)
Adjusted EBITDA	(£5.8m) <sup>1</sup>	£15.2m	(£21.0m)
Finance costs	£0.7m	£1.1m	£0.4m
Adjusted (loss)/profit before tax	(£11.2m) <sup>2</sup>	10.1m	(£21.3m)
Loss/(profit) before tax	(£24.1m)	£8.6m	(£32.7m)
Exceptional items	(£12.9m)	(£1.6m)	(£11.3m)
Free cash flow	(£24.5m)	£7.4m	(£31.9m)
Net debt	£33.8m	£19.2m	(£14.6m)
Net debt/adjusted EBITDA	(5.80x)	1.26x	–
Earnings/loss per share – basic	(£0.19)	£0.08	(£0.27)

- (1) A number of post year end adjustments have negatively affected Adjusted EBITDA and these include a loss of £0.24 million due to PoundWorld going into administration in June 2018 and a further loss of £0.14 million through a change in our accounting policy on goods sold below cost.
- (2) Exceptional costs include £5.7 million of cash items incurred during the year including £3.7 million relating to FX hedging losses. The remaining £7.2 million non-cash items include £3.2m provision for exiting onerous contracts and £2.5 million impairment of fixed assets.
- (3) Restated to correct prior period accounting errors resulting in a reduction to Adjusted EBITDA and Profit before tax of £0.8 million.

### Going Concern

The Group's accounts have been prepared on a going concern basis. The auditor's report includes a material uncertainty relating to going concern due to the particular sensitivity of the going concern forecast to the sterling/USD rate, parent reel pricing and the delivery of the final elements of the operational and commercial turnaround, specifically:

- Delivery of operational savings generated by a reduction of sites and employees;
- Impact on raw materials costs of changes in paper type and product specification;
- Maintenance of newly agreed parent reel prices; and
- Successful management of any foreign exchange downside through price increases or further cost reductions.

Further details are presented in note 2 to the accounts

### Sales increased but cost escalation and foreign exchange challenges hit profit and cash

Sales of private label products into discounters and multiples drove year on year growth of 4.2% in revenues. However, profit before tax profit declined £32.7 million to a loss of £24.1 million. Net debt increased by 76% to £33.8 million.

Two adjustments have been made to Adjusted EBITDA post year end, comprising -£0.24 million due to PoundWorld going into administration in June 2018 and a further -£0.14 million through a change in our accounting policy on goods sold below cost. As a result, the Group's Adjusted EBITDA has moved from a loss in line with market expectations of £5.4 million to a loss of £5.8 million.

## Income statement

	Statutory	
	2018 £'000	Restated 2017 £'000
Revenue	139,738	134,163
Cost of sales	(115,232)	(97,016)
Gross profit	24,506	37,147
Administration expenses	(33,177)	(16,000)
Distribution costs	(14,685)	(11,453)
Operating (loss)/profit	(23,356)	9,694
Analysed as:		
– Adjusted EBITDA <sup>1</sup>	(5,824)	15,227
– Depreciation	(2,612)	(1,910)
– Amortisation	(2,041)	(2,042)
– Exceptional items	(12,879)	(1,581)
Operating (loss)/profit	(23,356)	9,694
Finance costs	(713)	(1,129)
(Loss)/profit before tax	(24,069)	8,565
Tax credit/(charge)	4,106	(1,857)
(Loss)/profit for the year attributable to equity shareholders	(19,963)	6,708
Gross margin %	17.5%	27.7%

## Key performance indicators

<b>Revenue</b>	<b>+4.2%</b>	<b>Gross margin</b>	<b>-10.2%</b>	<b>Adjusted EBITDA<sup>1</sup></b>	<b>-138%</b>
<b>2018</b>	<b>£139.7m</b>	<b>2018</b>	<b>17.5%</b>	<b>2018 (5.8m)</b>	
2017	£134.2m	2017	27.7%	2017	£15.2m

<b>Finance costs</b>	<b>-37%</b>	<b>(Loss)/profit before tax</b>	<b>-381%</b>	<b>(Loss)/profit after tax</b>	<b>-398%</b>
<b>2018</b>	<b>£0.7m</b>	<b>2018</b>	<b>(£24.1m)</b>	<b>2018</b>	<b>(£20.0m)</b>
2017	£1.1m	2017	£8.6m	2017	£6.7m

<b>Free cash flow<sup>2</sup></b>	<b>-432%</b>	<b>Net debt</b>	<b>+76%</b>	<b>Net debt/adjusted EBITDA</b>	
<b>2018</b>	<b>(£24.5m)</b>	<b>2018</b>	<b>£33.8m</b>	<b>2018</b>	<b>(5.80x)</b>
2017	£7.4m	2017	£19.2m	2017	1.26x

## (Loss)/earnings per share – basic

<b>2018</b>	<b>(£0.19)</b>
2017	£0.08

- (1) Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation and exceptional items, is a non-GAAP metric used by management to help the understanding of the underlying business and is not an IFRS disclosure.
- (2) Free cash flow, which is net cash flow from operating activities is a GAAP measure used by management.

## Strategic Report

# Chief Financial Officer's Review continued

## Percentage of revenues by retailer class

	2018	2017
Multiple	8%	8%
Other	16%	18%
Discounter	76%	74%

## Revenues

Group revenue increased by 4.2% to £139.7 million (FY17: £134.2 million) with growth in sales not only coming from the discounters but, also, the multiples. This revenue growth was achieved despite a £5 million reduction in Away From Home revenue, as the Group exited a high revenue/low margin contract. In terms of products, revenue from toilet tissue showed the highest year on year growth of 12% or £8 million. As a proportion of revenue, toilet tissue increased from 51% in FY17 to 55% in the year under review.

## Gross margin

Gross margin was 17.5% (FY17: 27.7%). It includes the impact of the underlying softening of sterling against dollar (2018: 1.31 vs 2017: 1.39), which contributed 4.1% to the 10.2% decrease in gross margin.

Other contributors to the decrease in gross margin include:

- Paper cost inflation;
- Added complexities of running three sites - two production and one warehousing; and
- Drag on operational efficiency of establishing the new Leyland site.

## Administration costs

Administrative costs increased by £17.2 million to £33.2 million (FY17: £16.0 million). This increase includes charges of £2.5 million for the impairment of fixed assets, £4.4 million of FX hedging losses and £6.0 million of other exceptional costs (up from £1.6 million in 2017). Other exceptional costs include restructuring costs of £1.1 million and £4.0 million relating to the exit from the Skelmersdale distribution site.

In addition, the Company bore the full year costs of Skelmersdale adding £6.2 million to the cost base year on year. The productive capacity of Leyland is continuing to improve, helped by the addition of a new line in September 2018. We believe this site, with its improved capacity and operational efficiencies, will prove an important asset for Accrol. Skelmersdale site will be exited in October 2018, as planned.

## Operating cost summary

Key cost	2017	2018	Plan 2019
Skelmersdale facility	Nil	Full year	Removed from H2
Shunting to Skelmersdale	Nil	Full year	Reduced H1, removed H2
Skelmersdale Operation	Nil	Full year	Removed from H2
Leyland start up	4 months	Full year	Add a 3rd Line 3 in H1
Away From Home fixed costs	Full year	Full year	Removed from Q2

The above table illustrates the introduction and removal of key operational costs

## Distribution costs

Distribution costs as a percentage of revenue increased by 2.0% to 10.5% (FY17: 8.5%). The introduction of the Skelmersdale facility in May 2017, however, added a 'shunting' cost of £1.3 million with finished goods being moved from Leyland and Blackburn to the Skelmersdale site for storage, prior to onward shipping to customers. This cost will be removed from the business with the planned closure of Skelmersdale in October 2018. There was also an increase in the cost of handling the shipping of parent reel stock.

## Finance costs

Finance costs decreased in the year by £0.4 million to £0.7 million (FY17: £1.1 million). This represented the cessation of any payments on shareholder loan notes. The ongoing costs were flat year on year.

## Taxation

The significant level of losses incurred in the year allowed the Company to reclaim tax paid on prior year profits. Subsequent to year end, the Company successfully recovered £2.0 million.

## Balance sheet

### Property, plant and equipment

There were no substantial investments in plant and machinery in the year. The two new lines in Leyland were brought onstream and a more detailed review of asset value was undertaken, leading to an impairment charge of £2.5 million, including those assets relating to the Away From Home business from which we are exiting. At the end of the year a third line at Leyland was ordered and deposit of £0.8 million paid, subsequently covered by an equipment finance lease in FY19.

## Intangibles

Intangibles comprised mainly goodwill and customer relationships. Under IFRS, goodwill is not amortised but is subject to an impairment review on at least an annual basis. The Directors performed a review during the period, which involved making assumptions about the future performance of the business. After carefully considering various scenarios that could occur and after looking at sensitivities on these scenarios, the Directors concluded that no impairment was required. It is worth noting, however that the profitability of the Group remains sensitive to foreign exchange rates and parent reel prices.

## Working capital

	Actual		
	2018 £m	2017 £m	Var £m
Inventories	14.1	15.0	(0.9)
Trade and other receivables	30.0	23.8	6.2
Trade and other payables	(13.9)	(19.1)	5.2
	30.2	19.7	10.5

Both raw material stocks and finished goods stock remained in line with last year. However, a £0.7 million provision was made for slow moving and obsolete stock, as the Group focuses on a simplified range of paper types and products. This provision includes the carriage cost for goods that will be sold below cost. There remains opportunity for the Company to tighten the supply chain and reduce stockholding further.

The increase in receivables reflects customer mix and timing. Our customers remain good payers. However, post year end PoundWorld went into administration; a provision of £0.2 million has been made to reflect the associated uncollectable debt.

The trade payables figure decreased by £5.2 million on the prior year, mainly due to the change in the Company's credit rating. The suspension of trading in the Company's shares on 5 October 2017 caused the credit insurance sector to step back from Accrol and terms were cut, to proforma in many cases. We are actively managing this position and expect it to improve in line with Company's trading performance.

#### Borrowings and cash flow

	Actual		
	2018 £m	2017 £m	Change £m
Bank loan facility	15.0	13.0	2.0
Finance leases	0.5	0.6	(0.1)
Factoring facility	18.7	9.5	9.2
Borrowings	34.2	23.1	11.1
Cash and cash equivalents	(0.4)	(3.9)	3.5
Net Debt	33.8	19.2	14.6

As part of the share placing in October 2017, the Group's Revolving Credit Facility to 2021 of £16 million and the Invoice discount facility of £23 million were both maintained. Post year end, new covenants have been agreed and the facilities continue. The first pay down of the RCF, totalling £1 million, is planned for 31 October 2018, which will include a contribution from the funds raised from the Group's exit of Away From Home.

There was a £24.5 million cash outflow from operations in the year (FY17: cash inflow of £7.4 million) due largely to the Group's operating losses. A Placing in December 2017 raised funds of £18 million through the issue of 36 million shares at 50p raising £16.8 million (net of expenses). The outflow was further funded through increased usage of the invoice discounting facility (up 97% at £9.2 million). Net debt increased by £14.6 million, up 76% on FY17. The Board remains committed to generating cash from operations and reducing net debt. A Placing of 66.2 million shares in June 2018, post year end, raised a further £9.2 million (net of expenses).

#### Steven Townsley

Chief Financial Officer  
27 September 2018



*Strategic Report*

# Our risks and uncertainties

In order to gain an understanding of the risk exposure of the Group, we review each area of our business annually and use a methodology that will assist the Group in measuring, evaluating, documenting and monitoring its risks within all areas of its operations.

We use our risk management process as described to identify, monitor, evaluate and escalate risks as they emerge, enabling management to take appropriate action wherever possible in order to control them and also enabling the Board to keep risk management under review. The risk factors addressed below are those which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group and which may prevent us from achieving the Group's strategic objectives. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.

Principal risk	Impact	Mitigation
<b>The loss of a major customer.</b>	The loss of a major customer and/or being too dependent on a small number of high value customers could seriously impact the sales revenue and hence profitability of the business.	<ul style="list-style-type: none"> <li>• Nurture relationships with key customers.</li> <li>• Understand our customers' business in order to identify further opportunities.</li> <li>• Ensure customer service levels are high and we respond rapidly to any shortcomings.</li> <li>• Continuously monitor the market for opportunities to open up new customers.</li> </ul>
<b>Parent Reel and pulp capacity and pricing.</b>	If prices rise above management expectations this could have a material adverse effect on the Group's ability to achieve strategic objectives.	<ul style="list-style-type: none"> <li>• Nurture relationships with key suppliers.</li> <li>• Buy ahead.</li> <li>• Take favourable spot opportunities when available.</li> <li>• Remain close to market dynamics on pulp price and capacity.</li> <li>• Increase knowledge of overall capacity in market to identify new opportunities.</li> <li>• Remain flexible with regard to new suppliers.</li> </ul>
<b>New entrant into Market.</b>	A new entrant into the market creating extra capacity and competition.	<ul style="list-style-type: none"> <li>• Ensure that Group remains cost competitive, listens to customer requirements and delivers best value.</li> </ul>
<b>Winning a large customer contract.</b>	The winning of a large contract could absorb all capacity headroom and could lead to supply issues if not managed closely.	<ul style="list-style-type: none"> <li>• Ensure that we optimise the performance from existing capacity by careful scheduling and enhanced training to create spare capacity from existing lines.</li> <li>• Continuously search for low level capital investments to enhance the operation of existing lines.</li> </ul>
<b>Volatility of foreign exchange rates.</b>	The majority of our Parent Reel purchases are in US\$. Fluctuations in the exchange rates could adversely affect input costs and hence profitability.	<ul style="list-style-type: none"> <li>• Review and adhere to our foreign exchange policy.</li> <li>• Monitor short term purchasing forecasts to ensure appropriate exposure to risk.</li> <li>• Look for opportunity to source across multiple currencies.</li> <li>• Recognise that a significant adverse weakening of Sterling will impact the entire market with a market price increase most likely required.</li> </ul>



Principal risk	Impact	Mitigation
<p><b>The Group relies on IT systems in its day to day operations.</b></p>	<p>Disruption in critical IT systems could have a negative impact on production and important business processes.</p>	<ul style="list-style-type: none"> <li>• Manage an upgrade plan to ensure hardware is fit for purpose.</li> <li>• Seek opportunities to upgrade or de-risk software systems.</li> <li>• Ensure critical business continuity plans and disaster recovery contingencies are in place.</li> <li>• Maintain a clear IT policy to ensure users do not put the operation at risk.</li> </ul>
<p><b>Key person dependency.</b></p>	<p>Loss of key individuals could impact the Company's ability to deliver its strategic goals and, result in declining performance and loss of investor confidence.</p>	<p>The Group uses a variety of techniques to attract, retain and motivate its staff, with particular attention paid to those in key roles to help ensure the long-term success of the Group. These techniques include:</p> <ul style="list-style-type: none"> <li>• The regular review of remuneration packages, including longer term incentives;</li> <li>• Establishment of employee engagement techniques to re-enforce their commitment to the Company; and</li> <li>• An annual performance review process.</li> </ul>
<p><b>Failure to adhere to regulatory requirements such as taxation, the Data Protection Act, Health and Safety and Fire safety regulations in particular.</b></p>	<p>A major fire would lead to production loss and even factory loss. Due to the inflammable nature of tissue and the dust created during the converting process, the Group is at a greater risk of fire than many other industries.</p> <p>Non-compliance to Data Protection and Health and Safety regulations could result in fines, litigation and reputational damage.</p>	<ul style="list-style-type: none"> <li>• The Board has oversight over the management of regulatory risk and compliance and designates specific responsibilities to senior management who will seek external advice where relevant.</li> <li>• Ensure Group have robust operational policies, procedures, risk assessments and contingencies around fire safety regulations.</li> <li>• Update and test the Disaster Recovery Plan annually.</li> <li>• Work with our insurers to understand physical or procedural mitigation strategies to reduce the likelihood or scope of an incident.</li> </ul>

*Governance*

# Chairman's introduction to Governance



*Efficient  
approach to  
managing*

**Daniel Wright**  
Executive Chairman

**Dear Shareholder**

I am pleased to introduce the Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2018. This report includes my statement, an introduction to the members of the Accrol Board and the Corporate Governance Report.

The Directors place a significant emphasis on ensuring that Accrol has the appropriate governance structures in place. The Board recognises that the issues which the business has encountered in the past year require a strengthening of Board structures and increased rigour in reporting. With this in mind, we have undertaken a root and branch reorganisation of Executive and Non-Executive positions and continue to add appropriate expertise to the Board.

This process is ongoing and will be continued. Your Board is committed to upholding the appropriate standards of corporate governance to ensure that there is an effective and efficient approach to managing the Group for the benefit of all shareholders.

**Daniel Wright**  
Executive Chairman  
27 September 2018

# Board of Directors

**Daniel Wright**  
Executive Chairman

01

## Date appointed

Non-Executive Director: 11 December 2017  
Executive Chairman from 4 February 2018

## Key strengths

- Financial development
- Portfolio development
- Operating matters

## Previous experience

- NorthEdge Capital, Founder Partner, Chief Operating Officer & Head of Portfolio
- Accrol Group Holdings Limited, prior to its IPO, July 2014 – June 2016 – Board
- Cable Partners LLC
- Deutsche Morgan Grenfell Private Equity
- RBS

## Other commitments

- Vision Support Services Group Ltd – Chairman
- SolasCure – Director

## Committee



**Joanne Lake**  
Independent  
Non-Executive Director

04

## Date appointed

10 June 2016

## Key strengths

- Over 30 years' experience in accountancy and investment banking

## Previous experience

- Panmure Gordon
- Evolution Securities
- Williams de Broë
- Price Waterhouse

## Other commitments

- Mattioli Woods plc – Deputy Chairman
- Henry Boot PLC – Deputy Chairman
- Gateley (Holdings) Plc – Non-Executive Director
- Morses Club PLC – Non-Executive Director

## Committee



**Gareth Jenkins**  
Chief Executive Officer

02

## Date appointed

11 September 2017

## Key strengths

- Extensive strategy, commercial, M&A and operational experience, UK and in Europe
- Retail, FMCG and industrial markets
- An extensive track record of delivering industry leading levels of return in manufacturing and paper based operations
- Significant experience in business turnaround

## Previous experience

- DS Smith plc – 24 years most recently Managing Director UK & Ireland packaging division

**Euan Hamilton**  
Independent  
Non-Executive Director

05

## Date appointed

27 August 2018

## Key strengths

- Restructuring and business turnarounds
- Leverage finance and private equity
- Investment banking worldwide

## Previous experience

- Royal Bank of Scotland Group
- Bank of Cyprus Group
- Cramond Capital Partners Ltd

## Other commitments

- Bank of Cyprus UK Ltd – Non-Executive Director
- Bank of Cyprus Group – Consultant
- Nicosia Mall Group – Non-Executive Director
- Cramond Capital Partners – Founder

## Committee



**Steven Townsley**  
Chief Financial Officer

03

## Date appointed

11 June 2018

## Key strengths

- Extensive knowledge of managing growth, both organic and acquisitive
- Establishing and delivering the turnaround strategy whilst protecting cash
- Retail and distribution businesses

## Previous experience

- Help-Link, Chief Financial Officer
- Dixons – Financial role
- Safeway – Financial role
- Exertis – Finance Director

## Committee key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

● Member

○ Chairman

# Corporate Governance Report

As the Company is listed on the Alternative Investment Market (AIM) it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code"). However, the Board is committed to ensuring that strong standards of corporate governance operate and has established governance procedures and policies that are considered appropriate to the nature and size of the Group.

We do not comply with the Code. During the year, the Board reviewed trends in corporate governance, best practice where compliance with the Code was not required and its current corporate governance arrangements. The Board considers that, at this stage in the Group's development, the expense of fully complying with the Code is not appropriate, in line with many companies listed on AIM.

Under a change in AIM rules announced by the London Stock Exchange, with effect from September 2018, all AIM companies are required to recognise a corporate governance code and explain how they do so. It is likely that the Group will comply with the Quoted Companies Alliance ("QCA") code, the corporate governance code tailored for small and mid-size quoted companies and this will be reflected in the Annual Report and Accounts for the financial year ending 30 April 2019.

## The Board

The Company has an effective Board, whose role is to develop strategy and provide leadership to the Company as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Company.

Through the leadership of the Chairman, the Board sets the Company's strategic goals; ensuring obligations to shareholders are met. Matters reserved for a decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.

The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the trading results. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting.

## Role of the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the running of the Board and the Executive responsible for the Company's business, to ensure that no one person has unrestricted powers of decision.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once the Board has agreed strategic and financial objectives, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Operations Boards, which additionally comprises the other Executive Director and, where appropriate, senior members of the management team. These Boards manage the day-to-day operation of the Group's business.

The Chairman holds other directorships, as detailed in his biography on page 27. The Board has considered the time commitment required by his other roles and has concluded they do not detract from his chairmanship of the Company.

## Composition of and appointments to the Board

The Board comprises an Executive Chairman, Chief Executive Officer, Chief Financial Officer and two independent Non-Executive Directors. Short biographies of the Directors are given on page 27.

The Board is satisfied with this balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different experience and skills to the Board and its various Committees. The Board composition is kept under review, as the mix of skills and business experience is a major contributing factor to its proper functioning, helping to ensure matters are fully debated and that no individual or group dominates the decision-making process.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director is able to give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

### Information and development

The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Chief Financial Officer and through the Board Committees.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

### Performance evaluation

The performance evaluation of the Board, its Committees and Directors is undertaken by the Executive Chairman annually and implemented in collaboration with the Committee Chairmen.

### Re-election

At every Annual General Meeting, at least one third of the Directors, who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such retirement will count in obtaining the number required to retire at the AGM. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Four Directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

### Board Committees

The Board has established two Committees to deal with specific aspects of the Board's affairs: Audit and Remuneration Committees.

The Board has also established a Nominations Committee, which is chaired by Daniel Wright and includes Joanne Lake and Euan Hamilton.

### Attendance at Board and Committee meetings

Attendances of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

	Board		Remuneration		Audit		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Daniel Wright	6	6	3	3	2	2	2	2
Gareth Jenkins	9	9	–	–	–	–	–	–
Steven Townsley	Not appointed until after period							
Joanne Lake	12	12	3	3	2	2	2	2
Euan Hamilton	Not appointed until after period							

### Directors no longer in office

	Board		Remuneration		Audit		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Cheung	7	7	1	1	1	1	1	1
Steven Crossley	3	3	–	–	–	–	–	–
James Flude	9	9	–	–	1	1	–	–
Martin Leitch	2	2	–	–	–	–	–	–
Steve Hammett	12	12	2	2	2	2	2	2

Where any Board member has been unable to attend Board or Committee meetings during the year, their input has been provided to the Company Secretary or Chief Financial Officer ahead of the meeting. The relevant Chairman then provides a detailed briefing along with the minutes of the meeting following its conclusion.

# Corporate Governance Report *continued*

## The Audit Committee

The members of the Audit Committee during the year were Joanne Lake, Stephen Hammett, Peter Cheung until his resignation on 3 February 2018 and Daniel Wright who was appointed on 11 December 2017. Subsequent to year end Stephen Hammett resigned on 28 August 2018 and was replaced by Euan Hamilton who was appointed on 27 August 2018.

The Audit Committee, chaired by Joanne Lake, who has recent and relevant experience, is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee. The Audit Committee has written terms of reference, which are available on request, and include reviewing and monitoring:

- interim and annual reports, including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditor's plans for the year-end audit of the Company and its subsidiaries;
- the effectiveness of the Committee;
- the Risk Register covering the systems of internal control and their effectiveness, reporting and making recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the performance and independence of the external auditor concluding in a recommendation to the Board on the reappointment of the auditor by shareholders at the Annual General Meeting;
- non-audit fees charged by the external auditor; and
- the formal engagement terms entered with the external auditor.

At the invitation of the Committee, meetings may be attended by the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller. Representatives of the external auditors, PWC, also attend meetings. The Chairman of the Committee also meets separately with senior management and the external auditors.

The Chairman of the Audit Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting.

The Committee's effectiveness is reviewed annually as part of the Board evaluation exercise.

Under its terms of reference, the Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis.

The auditors have confirmed to the Committee that, in relation to their services to the Company, they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The auditors are required each year to confirm in writing that they have complied with the independence rules of their profession and regulations governing independence. Before PWC takes on any engagement for other services from the Company careful consideration is given as to whether the project could conflict with its role as auditor or impair their independence.

## The Remuneration Committee

The Remuneration Committee is chaired by Euan Hamilton (who was appointed on 27 August 2018 taking over from Stephen Hammett). Its other members are Joanne Lake, Peter Cheung, until his resignation on 3 February 2018 and Daniel Wright (who was appointed on 11 December 2017). It is normal for the Chief Executive Officer to be invited to attend meetings, except where matters under review by the Committee relate to him.

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on the Company's policy on Directors' remuneration and overseeing long term incentive plans (including share option schemes for all employees);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

### Risk management and internal control

The Directors, who are responsible for the Group's system of risk management and internal control, have established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness by the Audit Committee and the Board. The Group's systems of risk management and internal control are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.

The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year and up to the date of approval of the Annual Report.

### Financial control

The annual financial plan is reviewed and approved by the Board. Financial results with comparisons to plan and forecast results are reported to the Board on a monthly basis, together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings, which can be convened at short notice and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels, which cascade through the management structure, with any expenditure in excess of predefined levels requiring approval from the Executive Directors.

### Relations with shareholders

Each of the Chair, the Chief Executive Officer and Chief Financial Officer have, where appropriate, dialogue with shareholders and analysts to discuss the Group's financial results and strategy and other issues relating to the performance of the business.

The Company engages in full and open communication with both institutional and private investors and responds promptly and appropriately to all queries received. In conjunction with the Company's brokers and other financial advisers, all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders have timely access to material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

### AIM Rule Compliance Report

Accrol Group Holdings plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

### Quality of personnel and employee involvement

The Group is committed to attracting and retaining the highest level of personnel. It strives to do this through, amongst other things, the application of high standards in recruitment. The Group is aware of the importance of good communication in relationships with its staff and also follows a policy of encouraging training.

### Richard Almond

Company Secretary  
27 September 2018

# Statement from the Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for Accrol Group Holdings plc for the year ended 30 April 2018. This report includes my statement, the Annual Report on remuneration for the year and sets out our Directors' remuneration policy, which has been revised slightly since the close of the year to reflect the challenge of rebuilding profitability before returning to sustainable growth.

The Directors acknowledge the importance of the principles set out in the Quoted Companies Alliance (QCA) Corporate Governance Code and we intend to apply this Code, as far as we consider appropriate given the size of the Company. As part of this, we have chosen to include information in this report which we believe is important to shareholders, notwithstanding that this goes beyond that which we are required to disclose.

## Our Directors' remuneration policy

In the reported financial year, the remuneration policy has not altered from that described in our previous Annual Report, which followed a forward-looking and thorough review of the underlying policy and remuneration structures of companies in the competitive marketplace in which we operate. We considered the approach necessary to attract and retain individuals with the relevant experience and skills to help drive future value creation and the achievement of our strategic goals and objectives.

The proposed changes in the policy looking forward, in particular in relation to the proposed MIP, reflect the need to attract and retain quality people and to focus the management team on rebuilding the profitability of Accrol, before returning to the goal of stimulating sustainable value creation for the business.

The policy is set out in the following pages, with a summary of key principles provided below:

- Fixed levels of remuneration will be set at an appropriate level for each individual and, in doing so, the Remuneration Committee will take into account the levels of fixed remuneration for similar positions with comparable status, responsibility and skills. This will ensure Accrol is capable of attracting and retaining the individuals needed to rebuild and grow the Company.
- Recognising our growth aspirations and the need to deliver ongoing returns for shareholders, the Executive Directors are eligible to participate in market competitive incentive arrangements. They will have the opportunity to receive appropriate levels of remuneration based on achievement of quantitative and qualitative objectives and measures as relevant for their role.

## Our values



We are challenging



We add value



We are honest



We deliver

## Business context and Remuneration Committee decisions on remuneration

The following factors have been identified as key areas of focus for improving the Group's performance going forward:

- restructuring to return to profitability;
- organic growth through discounters;
- increasing market share through multiples;
- introduction of new product; and
- operational improvements and capacity utilisation.

It is intended that our remuneration policy reflects, and is aligned to, the Company's long-term strategy and facilitates the achievement of the objectives set out above.

The remainder of this report is split out into the following 2 sections:

- Annual Report on remuneration providing details of the payments made to Directors in the year ending 30 April 2018, page 34.
- Directors' remuneration policy setting out the Company's remuneration policy, pages 34 to 37.

### Euan Hamilton

Chairman of the Remuneration Committee  
27 September 2018

## **Annual Remuneration Report for 2018**

### **Remuneration Committee**

At the start of the year, the Remuneration Committee comprised:

- Steve Hammett (resigned 28 August 2018)
- Peter Cheung (resigned 3 February 2018)
- Joanne Lake

The Remuneration Committee now comprises:

- Euan Hamilton (appointed 27 August 2018)
- Daniel Wright (appointed 11 December 2017)
- Joanne Lake

The Remuneration Committee has responsibility for setting the remuneration policy for all Executive Directors and the Chairman of the Board, including pension rights and any compensation payments. This includes reviewing the performance of the Executive Directors and determining the terms and conditions of their service, appropriate remuneration and the grant of any options, having due regard to the interests of shareholders. Where the Executive Chairman's remuneration is reviewed, he will not be present for these considerations.

In setting the remuneration policy, the Remuneration Committee takes into account the objective to attract, retain and motivate Executive management of the quality required to run the Company successfully without paying more than is necessary. The remuneration policy also has regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals.

The Remuneration Committee also recognises that a significant proportion of remuneration should be structured to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

The Remuneration Committee meets at least once a year and otherwise as required. In the current financial year, the Remuneration Committee has met three times. Subsequent to the year end, the Committee met to confirm the new MIP.

## Governance

# Statement from the Chairman of the Remuneration Committee *continued*

## Directors' Remuneration (audited information)

The tables below set out the total remuneration for Executive and Non-Executive Directors for the financial years ending 30 April 2018 and 30 April 2017.

### Executive Directors

	Salaries £	Benefits in kind £	Other Payments £	Total remuneration 2018 £	Total remuneration 2017 £
James Flude <sup>(1,8)</sup>	148,769	1,059	90,000	239,828	266,638
Steve Crossley <sup>(2,8)</sup>	86,250	3,987	57,500	147,737	305,131
Peter Cheung <sup>(3,8)</sup>	75,769	1,731	112,019	189,519	166,642
Gareth Jenkins <sup>(4)</sup>	165,866	7,484	250,000	423,350	–
Martin Leitch <sup>(5)</sup>	66,800	–	–	66,800	–
Daniel Wright <sup>(6)</sup>	29,167	–	–	29,167	–

### Non-Executive Directors

Name	Total fees 2018 £	Total fees 2017 £
Peter Cheung	–	62,000
Steve Hammett <sup>(7)</sup>	40,000	35,507
Joanne Lake	42,000	37,282

- (1) On 8 February 2018 James Flude resigned from the business and was subsequently awarded £90,000 compensation for loss of office.  
(2) On 11 September 2017 Steve Crossley resigned from the business and was subsequently awarded £57,500 compensation for loss of office.  
(3) On 8 February 2018 Peter Cheung resigned from the business and was subsequently awarded £100,000 compensation for loss of office and £12,019 in respect of unused holiday entitlement.  
(4) On 11 September 2017 Gareth Jenkins was appointed and was subsequently awarded £250,000 retention bonus.  
(5) Martin Leitch was appointed on 4 February 2018 and subsequently resigned on 11 July 2018.  
(6) Dan Wright was appointed on 11 December 2017.  
(7) On 28 August 2018 Steve Hammett resigned from the business.  
(8) Share options with an exercise price of £1.30 granted on 10 June 2016 under the MIP lapsed on date of Director resignation (James Flude – 954 options, Steve Crossley – 1,144 options and Peter Cheung – 954 options).

## Remuneration policy

The Remuneration Committee will periodically review the policy to confirm the remuneration framework continues to align with the strategy and objectives of the business.

In developing the policy, the Remuneration Committee has taken into account the best interests of the business and the agreed terms and conditions of employment for each Director of the Company. The overall remuneration philosophy aims to:

- recognise the importance of ensuring that employees of the Group are effectively and appropriately incentivised;
- operate a remuneration policy that is a mix of fixed and variable pay. Variable pay is both short term and long term;
- align Directors' interests with those of the Company;
- have a pay for performance approach; and
- provide a market competitive level of remuneration to enable the Company to attract and retain high-performing individuals, to support the ongoing success of the Company.

As part of this, an annual bonus plan has been introduced since April 2016. The Company has also adopted and subsequently refined a Management Incentive Plan ("MIP"), a long term incentive plan to align the interests of Senior Management (Chairman, CEO, CFO, COO) with those of the shareholders. The MIP has been redesigned to reflect the business context outlined above and it is proposed that new awards be granted under the MIP to cover the performance period starting 1 May 2018 and ending 30 April 2021. The terms of these proposed awards are outlined in summary below and details were set out in a Circular to Shareholders dated 22 May 2018. There are no other employee share plans currently in place, however, the Company may, in the future, look to introduce an employee share plan for the broader employee base.

## Remuneration policy summary – Executive Directors

Purpose and link to strategy	Operation
<b>Base salary</b>	
To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain Directors of sufficient calibre required to support achievement of both short- and long-term value creation.	<p>The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary.</p> <p>Base salaries are benchmarked against the AIM companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance.</p> <p>There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee.</p> <p>The Remuneration Committee will take account of relevant comparator group data as well as pay increases awarded to other groups of employees within the Company.</p>
<b>Benefits</b>	
To attract and retain the right individuals and level of talent required to support achievement of both short- and long-term value creation.	<p>Benefits include but may not be limited to private medical insurance, cash car allowance and life assurance cover.</p> <p>Other benefits may be provided to the Directors if considered appropriate by the Committee.</p>
<b>Pension</b>	
To attract and retain the right individuals and level of talent required to support achievement of both short- and long-term value creation.	<p>An annual pension allowance up to 12.5% of base salary, which is paid either into a pension scheme operated by the Company or a personal pension held by the individual, with the balance paid as an additional cash payment through payroll.</p> <p>Consideration of the new rules applying to pensions, taking into account the individual lifetime and annual allowances, are made when determining the most appropriate mix of pension and cash contributions for each individual on an annual basis.</p>
<b>Annual Bonus Plan</b>	
To incentivise delivery of the Group's annual financial and strategic goals.	<p>The annual bonus payment will depend on the level of performance delivered against specific targets, with a threshold level being set below which no bonus will be paid.</p> <p>The maximum bonus available is 120% of base salary per annum.</p> <p>Bonus awards can be reduced by up to 40% for failure to achieve TSR and personal performance targets.</p> <p>The Remuneration Committee will review the bonus plan each year and may amend the terms of the plan to ensure it remains fit for purpose.</p>

# Statement from the Chairman of the Remuneration Committee *continued*

## Purpose and link to strategy

## Operation

### Management Incentive Plan (“MIP”)

To incentivise the delivery of key performance measures over the long term.

To retain key Executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.

The MIP is a share option plan designed to attract and engage the right calibre of individual to effect the turnaround required by the Company. The MIP is structured as a three-year plan; there is no intention to extend the MIP beyond its current timeframe.

The MIP comprises three individual awards (the “Awards”), each one being conditional on performance targets based on the Company’s EBITDA performance in FY19, FY20 and FY21 (together “the Performance Period”). The Awards will have a nominal value exercise price.

The vesting criteria of each of the Awards is based on the achievement of adjusted EBITDA targets for FY19, FY20 and FY21 (the “EBITDA Targets”) (as relevant) and the Company not being in any material breach of any of its banking covenants.

Following the Remuneration Committee’s determination as to whether the relevant EBITDA Targets have been met, and provided the banking covenants are not materially breached, the Awards vest, with 70 per cent of the Award exercisable at this time, and the remaining 30 per cent becoming exercisable 1 year later.

On a takeover, depending on the price per Ordinary Share at which a takeover offer is accepted, a proportion of the Awards will immediately vest on the occurrence of the takeover. Any Awards not vesting on a takeover will generally lapse six months following this event.

MIP participants do not participate in any other share options in the Company, and all previous equity awards which were granted have lapsed due to participants no longer being employees of the Company.

### Termination of employment

Each Executive Director has a service agreement which may be terminated by either party serving six months’ written notice. However, payment of remuneration during the notice period will be made monthly and terminated at the discretion of the Company should the individual take-up alternative employment.

### Annual bonus plan

Payment of the bonus is conditional upon notice to terminate the employment not having been served by either party for any reason on or prior to the relevant bonus payment date.

### MIP

During the vesting period, if a participant ceases to be a Director or employee of a member of the Group other than in certain ‘Good Leaver’ circumstances, their unvested Awards shall cease to become exercisable on the date of cessation of employment and lapse in full thirty days following this date.

A Good Leaver is someone who ceases employment as a result of death, ill health, injury or disability evidenced to the satisfaction of the Remuneration Committee; retirement at the normal retirement age in accordance with the Group’s internal policies; or any other reason the Remuneration Committee permits.

**Remuneration policy – Non-Executive Directors**

Purpose and link to strategy	Operation
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**Non-Executive Directors’ fees**

To attract and retain the right individuals required to support the achievement of both short- and long-term value creation.

Fees for Non-Executive Directors are based on market practice and are reviewed by the Board each year.

All Non-Executive Directors receive a basic fee each year with an additional fee provided for each Committee chairmanship and membership.

The maximum aggregate amount of fees that the Company may pay to all the Directors who do not hold Executive office for their services as such is £120,000 per annum, or such larger amount as the Company may by ordinary resolution decide.

These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally.

**Euan Hamilton**

Chairman of the Remuneration Committee  
27 September 2018

*Governance*

# Directors' Report

The Directors present their report together with the audited consolidated financial statements, along with the Auditor's Report for the year ended 30 April 2018.

**The Board**

The Directors who served during the year under review and up to the date of approving the Annual Report and Financial Statements were:

Peter Cheung (resigned 8 February 2018)  
Steve Crossley (resigned 11 September 2017)  
James Flude (resigned 8 February 2018)  
Joanne Lake  
Steve Hammett  
Gareth Jenkins (appointed 11 September 2017)  
Daniel Wright (appointed 11 December 2017)  
Martin Leitch (appointed 4 February 2018)

Subsequent to year end the following changes took place

Martin Leitch (resigned 11 July 2018)  
Steven Townsley (appointed 11 June 2018)  
Euan Hamilton (appointed 27 August 2018)  
Steve Hammett (resigned 28 August 2018)

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 32 to 37. Details of the Directors' interests in the share capital of the Company are set out on page 39. The roles and biographies of the Directors as at the date of this report are on page 27.

**Directors' indemnity and insurance**

The Company has granted a third-party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law. This third party indemnity was in place during the financial year and also at the date of approval of the financial statements. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

**Dividends**

In respect of the year ended 30 April 2018, the Directors have not recommended an interim dividend (2017: 2p per share) and do not intend to recommend a final dividend (2017: 4p per share). It remains the Board's intention to return to the dividend list at the earliest appropriate opportunity.

**Financial instruments**

Details of the Group's financial risk management objectives and policies are disclosed in note 19 to the financial statements.

**Additional Share Issue**

On 5 October 2017 trading of the Company's shares was suspended as the Company faced a cash short fall. The shares remained suspended until 20 November 2017 when revised banking arrangements and the issue 36,000,000 new shares underpinned the Company's cash requirements. Subsequent to year end a further share placing and open offer raised £9.2m (net of fees) to put the Company in a strong position to continue its recovery journey.

**Future developments in the business of the Company**

The likely future developments in respect of the business of the Company can be found in the Strategic Report on pages 1 to 25 and forms part of this report by reference.

**Corporate governance**

A report on Corporate Governance and compliance with the QCA Corporate Governance Code is set out on pages 26 to 31, and forms part of this report by reference.

**Health and safety**

The Group is committed to providing a safe working environment for all employees. Group policies are reviewed regularly to ensure that policies relating to training, risk assessment and accident management are appropriate. Health and safety issues are reported at all Operations and Board meetings.

**Charitable and political donations**

Charitable donations of £17,681 (2017: £24,390) were made during the year. There were no political donations during the year.

**Employee involvement and policy regarding disabled persons**

The Company operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. The Company's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where a member of staff becomes disabled in the course of their employment the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

The Group provides staff with information on the Group's performance and on matters concerning them on a regular basis. Considerable value is placed on the involvement of its staff; regular, open, fair and respectful communication; zero tolerance for human rights violations; fair remuneration and, above all, a safe working environment.

**Authority to allot shares**

Powers related to the issue and buy-back of the Company's shares are included in the Company's Articles of Association and such authorities are reviewed annually by shareholders at the Annual General Meeting.

**Directors' interests**

The interests in the shares of the Company of those Directors serving at 20 September 2018, and as at the date of approving of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	Ordinary shares	% of issued share capital
Daniel Wright	1,820,308	0.93%
Gareth Jenkins	610,000	0.31%
Joanne Lake	74,386	0.04%
Steven Townsley	–	–
Euan Hamilton	–	–

*Governance***Directors' Report** *continued***Substantial shareholders**

As at 20 August 2018, the Company was aware of the following interests representing 3% or more of the issued share capital of the Company, correct as at the date of notification. It should be noted that these holdings may have changed since notified to the Company, however, notification of any change is not required until the next applicable threshold is crossed.

Investor	Number of shares	Percentage
NorthEdge Capital LLP	27,487,377	14.1%
Schroder Investment Management	16,992,361	8.7%
Miton Asset Management Ltd.	14,386,350	7.4%
Standard Life Aberdeen plc	13,150,400	6.7%
Ruffer LLP	12,178,697	6.2%
Marocaine pour le Commerce et l'Industrie Banque SA	11,331,498	5.8%
Jarvis Investment Management	10,150,676	5.2%
Axa Investment Managers UK	6,044,906	3.1%

**Significant agreements**

The Company is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Company.

**Prior year restatement**

The prior year comparatives have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further details can be found in note 27.

**FRC review of 2017 Annual Report and Accounts**

In February 2018, the FRC's Corporate Reporting Review team informed the Group that its Annual Report and Accounts for the year ended 30 April 2017 had been selected for review as part of the FRC's monitoring activity to stimulate improvements in the quality of corporate reporting. The Committee has reviewed the correspondence between management and the FRC on the queries raised and is pleased to report that all outstanding matters are closed with one adjustment made in regard to the calculation of Earnings per Share. This is disclosed in note 7 to the consolidated financial information.

The following limitation of scope was included in the letter provided by the FRC to the Group:

"Scope and limitations of our Review

Our review is based on your Annual Report and Accounts and does not benefit from detailed knowledge of your business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. We support continuous improvement in the quality of corporate reporting and recognise that those with more detailed knowledge of your business, including your audit committee and auditors, may have recommendations for future improvement, consideration of which we would encourage.

This and any subsequent letters provide no assurance that your report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Our letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders."

### Going concern

The Chairman's statement, on pages 6 to 7 and the Chief Executive's review on pages 12 and 13, outline the business activities of the Group along with the factors which may affect its future development and performance. The financial review discusses the Group's financial position, along with details of cash flow and liquidity. Further details of the borrowing facilities are set out in note 18. The Group's financial risks and the management of those risks is set out in note 20.

The Group has recently agreed revised bank covenant tests for the revolving credit facility that underpins its borrowings. In assessing the Group's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts against these covenants. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of a breach of the covenants, whilst identifying what mitigating actions are available to the Group to avoid a potential breach.

The Group's performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. In addition, the significant activity in restructuring and re-positioning the operational and commercial side of the business increase the uncertainty in future forecasts. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including:

- Delivery of operational savings generated by a reduction of sites and employees;
- Impact on raw materials costs of changes in paper type and product specification;
- Maintenance of newly agreed parent reel prices; and
- Successful management of any foreign exchange downside through price increases or further cost reductions.

Failure to achieve the above would slow down the return to profitability and result in lower adjusted EBITDA with a consequent negative impact on EBITDA covenant headroom. Without the support of the bank, the Group would be unable to meet its liabilities as they fall due. Given the timing and execution risks associated with achieving the forecast the Directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern in the basis of preparation to the financial statements.

The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware.
- Each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at Addleshaw Goddard, 1 St Peters Square, Manchester M2 3AB on 30 October 2018 at 11am.

On behalf of the Board of Directors

**Gareth Jenkins**  
Chief Executive Officer  
27 September 2018

**Steven Townsley**  
Chief Financial Officer

# **Statement of Directors' responsibilities**

## *in respect to the financial statements*

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

### **Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

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

# Independent Auditors' Report to the members of Accrol Group Holdings plc

## Report on the audit of the group financial statements

### Opinion

In our opinion:

- Accrol Group Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2018 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts 2018 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 April 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty relating to going concern - Group

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. Whilst the Group is forecast to be in compliance with all covenant conditions in respect of its financing facility, the forecast includes key assumptions in respect of (1) the sterling to US dollar foreign exchange rate; (2) parent reel pricing; and (3) certain elements of the operational and commercial turnaround. Adverse movements in these assumptions or the failure to achieve the operational and commercial turnaround would result in lower EBITDA with a consequent negative impact on EBITDA covenant headroom and without the support of the bank, the Group could be unable to meet its liabilities as they fall due. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### Material uncertainty relating to going concern - Company

In forming our opinion on the Company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The going concern status of the parent Company is intrinsically linked to the success of the Group, which, as disclosed in note 2, is dependent on certain key assumptions being achieved. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

## Our audit approach

### Overview

<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall Group materiality: £300,000 (2017: £400,000), based on 2.5% of the three year average of EBITDA adjusted for exceptional items ("Adjusted EBITDA").</li> <li>• Overall Company materiality: £240,000 (2017: £250,000), based on 1% of total assets capped at 80% of Group materiality.</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• All entities within the Group were audited to their local statutory materiality providing sufficient comfort over the Group as a whole.</li> <li>• We carried out a full scope audit in relation to the Company.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• We carried out a full scope audit in relation to the Company.</li> <li>• Goodwill and intangible asset impairment assessment (Group).</li> <li>• Classification of exceptional items (Group).</li> <li>• Accounting for complex customer arrangements (Group).</li> <li>• Carrying value of investments (Company).</li> </ul>

*Financial Statements*

# Independent Auditors' Report to the members of Accrol Group Holdings plc *continued*

*The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

*Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty relating to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill and intangible asset impairment assessment</b></p> <p>Refer to pages 55 and 56 of the Summary of significant accounting policies and note 12 of the Consolidated Financial Statements.</p> <p>Goodwill of £14,982k and intangible assets of £12,679k are material to the Group financial statements.</p> <p>The Directors have performed their annual impairment review to compare the carrying value of the asset base to the value of discounted future cash flows, using a value in use model. Following this exercise, it was determined by the Directors that no impairment was required.</p> <p>We focused on this area because the calculation involves judgements and estimates based on the Directors' assessment of the future results and prospects of the Group, the appropriate discount rates and other key assumptions, for example revenue growth and assumed gross profit margin.</p> <p>Group</p>	<p>To assess the impairment assessment performed by the Directors we have performed the following:</p> <ul style="list-style-type: none"> <li>evaluated and assessed the reasonableness of the Group's future cash flow forecasts, and the process by which they were prepared, including comparing them to the latest Board approved budgets and found them to be consistent;</li> <li>assessed the reasonableness of the Board approved budget, including assessing the revenue and costs included in those budgets based on our understanding of the Group. We found the assumptions underpinning the budgets to be consistent with our understanding;</li> <li>tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved, and where they had not been achieved we understood why this had occurred;</li> <li>tested the Directors' key assumptions for long-term growth rates outside the budget period, by comparing them to, and finding them broadly in line with, forecast inflation rates in the UK;</li> <li>determined an independent estimation of the discount rate, including the cost of debt, equity risk premium and the beta factor; and</li> <li>performed our own sensitivities over the key drivers of the cash flow forecasts.</li> </ul>

## Key audit matter

## How our audit addressed the key audit matter

### Classification of exceptional items

Refer to page 55 of the Summary of Significant Accounting Policies, and note 6 of the Consolidated Financial Statements.

In recent years the Group has had exceptional items which are disclosed separately within the Income Statement and are excluded from the Directors' reporting of the underlying performance of the Group.

The exceptional items include restructuring costs, gains or losses from derivative financial instruments and impairment charges of fixed assets resulting from non-recurring and one off events. This year the Group identified £12,879k of exceptional items.

We focused on this area, specifically to assess whether the items identified by the Directors meet the definition within the Group's accounting policy and have been treated consistently, because the identification of such items requires judgement by the Directors. Also, consistency in the identification and presentation of these items is important to ensure comparability of year-on-year reporting.

#### Group

We challenged the Directors' rationale for the designation of certain items as 'exceptional' and assessed such items against the Group's accounting policy and consistency of treatment with prior periods, taking into account the significant changes in the business that have occurred during the year.

We considered the items identified to meet the Group's definition of exceptional and considered them to be exceptional in nature given the overall scale and magnitude of costs incurred.

We considered whether there were items that were recorded within underlying profit that we determined to be 'exceptional' in nature and should have been included within 'exceptional items' and found no such items.

### Accounting for complex customer arrangements

Refer to page 54 of the Summary of Significant Accounting Policies.

The Group, through its trading division Accrol Papers Limited, gives rebates to certain key customers. These are contractual and vary by customer, but largely relate to volume based rebates on sales made throughout the financial year, with the value being determined by the level of spend.

We focused on this area because the amount of customer rebates payable in respect of the year is determined by the contract terms for each customer, which are negotiated separately and, as a result, differ from one another. Therefore, given the varying the recognition criteria, the risk of error in the calculation of liabilities in relation to complex customer arrangements increases.

We also focused on the completeness of the Income Statement reduction to revenue and year end accrual due to the risk of potential omission given the manual nature of the process.

#### Group

To test customer rebates, we:

- recalculated, for a sample of customers, the customer rebate expense recognised within the Income Statement in the year and the liability recognised at the Balance Sheet date, finding them to be materially consistent with the related contract;
- compared sales recorded in the year, and the contractual rebate arrangements agreed with each customer, to the Directors' calculation of the rebate expense, finding it to not be materially different;
- compared the liability recorded at the prior year end to the amounts paid during the year ended 30 April 2018 in respect of those provisions, with no material differences identified; and
- tested whether any rebate arrangements had been omitted from the amounts charged in the year, and liabilities held at the Balance Sheet date, by checking the contractual arrangements with the Group's most significant customers to make sure that all rebate arrangements had been identified by the Directors, and did not identify any that had been omitted.

### Carrying value of investments

Refer to page 80 of the Summary of Significant Accounting Policies and note 5 of the Company Financial Statements.

The investment balance of £41,437k is considered annually for impairment, and given the losses made in the year, a full impairment assessment has been performed. The Directors have used a value in use model that is consistent with that used for the purposes of considering the carrying value of goodwill and intangible assets in the Consolidated Financial Statements.

We focused on this risk because of the level of estimation involved in determining the value in use.

#### Company

To test management's impairment assessment we have:

- evaluated and assessed the reasonableness of the Group's future cash flow forecasts, and the process by which they were prepared, including comparing them to the latest Board approved budgets and found them to be consistent;
- assessed the reasonableness of the Board approved budget, including assessing the revenue and costs included in those budgets based on our understanding of the Group. We found the assumptions underpinning the budgets to be consistent with our understanding;
- tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved, and where they had not been achieved we understood why this had occurred;
- tested the Directors' key assumptions for long-term growth rates outside the budget period, by comparing them to, and finding them broadly in line with, forecast inflation rates in the UK; and
- considered the discount rate by performing an independent assessment of the calculation, including the cost of debt, equity risk premium and the beta factor; and
- performed our own sensitivities over the key drivers of the cash flow forecasts.

*Financial Statements*

# **Independent Auditors' Report to the members of Accrol Group Holdings plc** *continued*

*How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of four legal entities, all of which are managed by one central finance team. All legal entities within the Group were audited to their local statutory materiality. No component auditors were involved in the audit. All balances were audited in relation to the Company.

*Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Company financial statements</i>
<i>Overall group materiality</i>	£300,000 (2017: £400,000).	£240,000 (2017: £250,000).
<i>How we determined it</i>	2.5% of the three year average of EBITDA adjusted for exceptional items ("Adjusted EBITDA").	1% of total assets, capped at Group materiality, capped at 80% of Group materiality.
<i>Rationale for benchmark applied</i>	Based on the benchmarks used in the Annual Report and Accounts, Adjusted EBITDA is considered to be the key measure used by the Board in evaluating the performance of the Group. This measure excludes interest, tax, amortisation, depreciation and exceptional items. We used an average of Adjusted EBITDA over a three year period due to the decline in the performance of the Group for the year ended 30 April 2018.	Total assets is considered to be appropriate as it is not a profit oriented Company. The Company holds all investments in subsidiaries and therefore total assets is deemed a generally accepted auditing benchmark. Materiality was capped to 80% of Group materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £240,000 and £270,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £15,000 (Group audit) (2017: £20,000) and £12,000 (Company audit) (2017: £12,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

*Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

#### **Philip Storer**

Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
27 September 2018

*Financial Statements***Consolidated Income Statement**

For year ended 30 April 2018

	Note	2018 £'000	Restated 2017 £'000
<i>Continuing operations</i>			
Revenue	4	139,738	134,163
Cost of sales		(115,232)	(97,016)
<b>Gross profit</b>		24,506	37,147
Administration expenses		(33,177)	(16,000)
Distribution costs		(14,685)	(11,453)
<b>Operating (loss)/profit</b>	5	(23,356)	9,694
<b>Analysed as:</b>			
– Adjusted EBITDA <sup>1</sup>		(5,824)	15,227
– Depreciation	11	(2,612)	(1,910)
– Amortisation of intangible assets	12	(2,041)	(2,042)
– Exceptional items	6	(12,879)	(1,581)
<b>Operating (loss)/profit</b>		(23,356)	9,694
Finance costs	9	(713)	(1,129)
<b>(Loss)/profit before tax</b>		(24,069)	8,565
Tax credit/(charge)	10	4,106	(1,857)
<b>(Loss)/profit for the year attributable to equity shareholders</b>		(19,963)	6,708
<b>(Loss)/earnings per share</b>			
		£	£
Basic (loss)/earnings per share	7	(0.19)	0.08
Diluted (loss)/earnings per share	7	(0.19)	0.07

**Consolidated Statement of Comprehensive Income**

For year ended 30 April 2018

	2018 £'000	Restated 2017 £'000
<b>(Loss)/profit for the year attributable to equity shareholders</b>	(19,963)	6,708
<i>Other comprehensive income/(expense) for the year</i>		
Revaluation of derivative financial instruments <sup>2</sup>	2,868	(2,868)
Tax relating to components of other comprehensive income	(545)	545
<b>Total comprehensive (loss)/income attributable to equity shareholders</b>	(17,640)	4,385

The notes are an integral part of these consolidated financial statements.

- (1) Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure (see note 28).
- (2) Items that could potentially be reclassified subsequently to profit and loss.

# Consolidated Statement of Financial Position

As at 30 April 2018

	Note	2018 £'000	Restated 2017 £'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	11	24,723	26,914
Intangible assets	12	27,701	29,742
Deferred tax assets	10	–	545
<b>Total non-current assets</b>		<b>52,424</b>	<b>57,201</b>
<i>Current assets</i>			
Inventories	13	14,057	14,981
Trade and other receivables	14	29,987	23,780
Current tax asset		2,198	–
Cash and cash equivalents	15	431	3,867
Derivative financial instruments	19	–	841
<b>Total current assets</b>		<b>46,673</b>	<b>43,469</b>
<b>Total assets</b>		<b>99,097</b>	<b>100,670</b>
<i>Current liabilities</i>			
Borrowings	18	(21,670)	(9,709)
Trade and other payables	16	(13,858)	(19,105)
Income taxes payable		–	(814)
Provisions	17	(492)	–
Derivative financial instruments		(668)	(3,235)
<b>Total current liabilities</b>		<b>(36,688)</b>	<b>(32,863)</b>
<i>Non-current liabilities</i>			
Borrowings	18	(11,759)	(13,146)
Deferred tax liabilities	10	(2,352)	(4,276)
Provisions	17	(2,672)	–
Derivative financial instruments		–	(474)
<b>Total non-current liabilities</b>		<b>(16,783)</b>	<b>(17,896)</b>
<b>Total liabilities</b>		<b>(53,471)</b>	<b>(50,759)</b>
<b>Net assets</b>		<b>45,626</b>	<b>49,911</b>
<i>Capital and reserves</i>			
Share capital	22	129	93
Share premium		58,832	41,597
Hedging reserve		–	(2,323)
Capital redemption reserve		27	27
Retained earnings		(13,362)	10,517
<b>Total equity shareholders' funds</b>		<b>45,626</b>	<b>49,911</b>

The financial statements were approved by the Board of Directors on 27 September 2018.

Signed on behalf of the Board of Directors

**Gareth Jenkins**  
Chief Executive Officer

**Steven Townsley**  
Chief Financial Officer

Company Registration Number 09019496

*Financial Statements***Consolidated Statement of Changes in Equity**

For year ended 30 April 2018

	Note	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Restated Retained earnings/ (accumulated losses) £'000	Restated Total equity £'000
<b>Balance at 1 May 2016</b>		13	84	–	–	5,005	5,102
<i>Comprehensive income/(expense)</i>							
Profit for the year – restated		–	–	–	–	6,708	6,708
Revaluation of derivative financial instruments		–	–	(2,868)	–	–	(2,868)
Tax relating to components of other comprehensive income		–	–	545	–	–	545
<b>Total comprehensive income</b>		–	–	(2,323)	–	6,708	4,385
<i>Transactions with owners recognised directly in equity</i>							
Bonus issue of shares		64	(64)	–	–	–	–
Proceeds from shares issued		43	43,285	–	–	–	43,328
Buy back of deferred shares for consideration of £1		(27)	–	–	27	–	–
Issue of share warrants – restated		–	–	–	–	302	302
Transaction costs		–	(1,708)	–	–	166	(1,542)
Dividends		–	–	–	–	(1,860)	(1,860)
Share based payments		–	–	–	–	196	196
<b>Total transactions recognised directly in equity</b>		80	41,513	–	27	(1,196)	40,424
<b>Balance at 30 April 2017 and at 1 May 2017</b>		93	41,597	(2,323)	27	10,517	49,911
<i>Comprehensive (expense)/income</i>							
Loss for the year		–	–	–	–	(19,963)	(19,963)
Revaluation of derivative financial instruments		–	–	2,868	–	–	2,868
Tax relating to components of other comprehensive income		–	–	(545)	–	–	(545)
<b>Total comprehensive income</b>		–	–	2,323	–	(19,963)	(17,640)
<i>Transactions with owners recognised directly in equity</i>							
Proceeds from shares issued	22	36	17,964	–	–	–	18,000
Transaction costs		–	(729)	–	–	–	(729)
Dividends		–	–	–	–	(3,720)	(3,720)
Share based payments		–	–	–	–	(196)	(196)
<b>Total transactions recognised directly in equity</b>		36	17,235	–	–	(3,916)	13,355
<b>Balance at 30 April 2018</b>		129	58,832	–	27	(13,362)	45,626

# Consolidated Cash Flow Statement

For the year ended 30 April 2018

	Notes	2018 £'000	Restated 2017 £'000
<i>Cash flows from operating activities</i>			
Operating (loss)/profit		(23,356)	9,694
<i>Adjustment for:</i>			
Depreciation of property, plant and equipment	11	2,612	1,910
Impairment of property, plant and equipment	11	2,502	–
Profit on disposal of property, plant and equipment		–	(26)
Amortisation of intangible assets	12	2,041	2,042
Grant income		(118)	(212)
Exceptional items		4,214	1,016
Impairment of trade receivables		380	–
Impairment of trade receivables – exceptional		350	–
Share based payments		(196)	196
Issue of share warrants		–	302
<b>Operating cash flows before movements in working capital</b>		<b>(11,571)</b>	<b>14,922</b>
Decrease/(increase) in inventories		924	(5,620)
Increase in trade and other receivables		(6,937)	(2,334)
(Decrease)/increase in trade and other payables		(5,511)	6,696
<b>Cash (used in)/generated from operations</b>		<b>(23,095)</b>	<b>13,664</b>
Tax paid		(830)	(2,149)
Interest paid		(577)	(4,131)
<b>Net cash flows from operating activities</b>		<b>(24,502)</b>	<b>7,384</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(2,923)	(4,417)
Proceeds from sale of property, plant and equipment		–	56
<b>Net cash flows used in investing activities</b>		<b>(2,923)</b>	<b>(4,361)</b>
<i>Cash flows from financing activities</i>			
Proceeds of issue of ordinary shares		18,000	43,328
Cost of raising finance		(729)	(1,971)
Increase in amounts due to factors		9,154	2,038
New finance leases		200	–
Repayment of capital element of finance leases		(227)	(10,737)
Repayment of bank loans		–	(3,900)
Receipt of new bank loans		2,000	12,730
Transaction costs of bank facility		(689)	–
Repayment of shareholder loans/loan notes		–	(41,240)
Dividend paid to ordinary shareholders		(3,720)	(1,860)
<b>Net cash flows from/(used in) financing activities</b>		<b>23,989</b>	<b>(1,612)</b>
Net (decrease)/increase in cash and cash equivalents		(3,436)	1,411
Cash and cash equivalents at beginning of the year		3,867	2,456
<b>Cash and cash equivalents at year end</b>	15	<b>431</b>	<b>3,867</b>

# Notes to the Consolidated Financial Information

For the year ended 30 April 2018

## 1. General information

Accrol Group Holdings plc (the "Company") was incorporated with Company number 09019496. It is a public company limited by shares and is domiciled in the United Kingdom. The registered address of the Company is the Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD.

The Company's subsidiaries are listed in note 24, which together with the Company form the Accrol Group Holdings plc Group (the "Group").

## 2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently in the financial statements.

### Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU, IFRS Interpretation Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by financial liabilities (including derivative instruments) at fair value through profit or loss. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

The prior year comparatives have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further details can be found in note 27.

### Standards, amendments and interpretations to existing standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2018 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of application when the relevant standards come into effect.

- Amendments to IFRS 2 'Share based payments' Classification and Measurement' (effective 1 January 2018)
- Amendments to IFRS 4 'Insurance contracts' Amendments regarding implementation of IFRS 9 (effective 1 January 2018)
- Amendments to IAS 28 'Investments in associates and joint ventures' regarding short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2018)
- Amendments to IAS 40 'Investment property' transfer of property (effective 1 January 2018)
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018)
- Annual Improvements 2014-2016 (effective 1 January 2018)
- Amendments to IFRS 1 'First-time adoption of IFRS' regarding short term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2019)
- Amendments to IAS 19 'Employee benefits' Plan amendment, curtailment or settlement (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax' (effective 1 January 2019)
- Annual Improvements 2015-2017 (effective 1 January 2019)

The Group has begun an assessment of the impact of the following new standards:

### *IFRS 9 'Financial Instruments' (effective 1 January 2018)*

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

It is the intention that hedging relationships that qualified for hedge accounting in accordance with IAS 39 are to be regarded by the Group as continuing hedging relationships under IFRS 9.

IFRS 9 introduces an expected loss model for recognising impairment of financial assets held at amortised cost, whereas under IAS 39 impairment was only recognised when objective evidence of such impairment existed. This change of approach will require the Group to consider forward looking information to calculate expected credit losses and is anticipated to have a small but immaterial change to the level of impairment recognised.

IFRS 9 also includes the requirement for lenders of intercompany loans to consider forward looking information to calculate expected credit losses. This change will apply to the Company financial statements only. Despite there being no present intention of the Company to demand repayments, were demand to be made at the reporting date, it is deemed that the relevant subsidiaries would be unable to repay the intercompany loan in full within 12 months, therefore an impairment and adjustment to opening retained earnings may be required.

#### *IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

This standard establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In particular it requires the entity to identify distinct performance obligations within a contract with a customer and attribute values accordingly.

The Group will shortly conclude on the impact of the performance obligation criteria and the determination of the transaction price on the timing and value of revenue, but given that there is little complexity within the sales process (revenue recognised when goods are delivered) the Group does not expect the impact of this to be in excess of £0.2m.

#### *IFRS 16 'Leases' (effective 1 January 2019)*

IFRS 16 introduces a single lessee accounting model, removing the distinction between operating and finance leases. This will result in almost all leases being recognised on the Statement of Financial Position, as an asset (to recognise the right to use a leased item) and a financial liability (requirement to make lease payments).

The Group will assess the requirements of IFRS 16 against its existing operating leases including any exemptions it may make by the end of the next financial year in order to report on the potential impact.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **Going concern**

The Chairman's review and the Chief Executive's review outline the business activities of the Group along with the factors which may affect its future development and performance. The financial review discusses the Group's financial position, along with details of cash flow and liquidity. Further details of the borrowing facilities are set out in note 18.

The Group has recently agreed revised bank covenant tests for the revolving credit facility that underpins its borrowings. In assessing the Group's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts against these covenants. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of a breach of the covenants, whilst identifying what mitigating actions are available to the Group to avoid a potential breach.

The Group's performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. In addition, the significant activity in restructuring and re-positioning the operational and commercial side of the business increase the uncertainty in future forecasts. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including:

- Delivery of operational savings generated by a reduction of sites and employees;
- Impact on raw materials costs of changes in paper type and product specification;
- Maintenance of newly agreed parent reel prices; and
- Successful management of any foreign exchange downside through price increases or further cost reductions.

Failure to achieve the above would slow down the return to profitability and result in lower adjusted EBITDA with a consequent negative impact on EBITDA covenant headroom. Without the support of the bank, the Group would be unable to meet its liabilities as they fall due. Given the timing and execution risks associated with achieving the forecast the Directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern in the basis of preparation to the financial statements.

The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## **Notes to the Consolidated Financial Information** *continued*

*For the year ended 30 April 2018*

### **2. Summary of significant accounting policies** *continued*

#### Consolidation

##### *Subsidiaries*

A subsidiary is an entity controlled, either directly or indirectly, by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

#### **Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The Group's activities consist solely of the conversion of paper products, primarily within the United Kingdom. It is managed as one entity and management have consequently determined that there is only one operating segment.

Segment results are measured using adjusted earnings before interest, tax, depreciation, amortisation, gain/(loss) on derivative financial instruments and exceptional items. Segment assets are measured at cost less any recognised impairment. Revenue is attributed to geographical regions based on the country of residence of the customer. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting reflects those used for the Group.

#### **Revenue**

Revenue representing sales to external customers, which is stated excluding Value Added Tax and trade discounts, is measured at the fair value of the consideration receivable for goods supplied.

Revenue from the sale of goods is recognised at the point of dispatch of goods from the warehouse as this reflects the transfer of risks and rewards of ownership.

Revenue is presented net of trade spend, including customer rebates, which consists primarily of customer pricing allowances, listing fees and promotional allowances (overrides) which are governed by agreements with our trade customers. Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

**Cost of sales**

Cost of sales comprise costs arising in connection with the conversion of paper products. Cost is based on the cost of a purchase on a first in first out basis and includes all direct costs and an appropriate portion of fixed and variable overheads where they are directly attributable to bringing the inventories into their present location and condition.

**Exceptional items**

Items that are material in size or unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the consolidated income statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the consolidated income statement, helps provide an indication of the Group's underlying business performance.

**EBITDA and Adjusted EBITDA**

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Depreciation is the write down of fixed assets and amortisation of the write down of customer relationships held in intangibles. Impairment of tangible assets, exceptional items and gains/(losses) on derivative financial instruments are excluded from EBITDA to calculate Adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Group's activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

**Foreign currency*****Functional and presentation currency***

Items included in the financial information are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial information is presented in Sterling, which is the functional currency of all companies in the Group.

***Transactions and balances***

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**Property, plant and equipment**

Property, plant and equipment are included at cost less accumulated depreciation and any recognised impairment loss. Depreciation is calculated to write down the cost of the assets on a straight-line or reducing balance basis over the estimated useful lives on the following bases:

- |   |                                       |
|---|---------------------------------------|
| • Leasehold land and Buildings            | straight line over term of lease      |
| • Plant and Machinery                     | 10% straight line, 40% residual value |
| • Motor vehicles                          | 30% straight line                     |
| • Fixtures, fittings and office equipment | 25% reducing balance                  |

Assets under construction are not depreciated, but transferred into the appropriate asset class when they are ready for use. The estimated useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

**Intangible assets*****Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **Notes to the Consolidated Financial Information** *continued*

*For the year ended 30 April 2018*

### **2. Summary of significant accounting policies** *continued*

#### *Customer relationships, customer order books and other*

Customer relationships are shown at fair value as part of acquisition accounting. Customer relationships have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives 10 years.

Customer order books relate to order for goods awaiting dispatch at the date of acquisition on 14 July 2014. Amortisation is calculated using the straight-line method to allocate the cost of customer order books over their estimated useful lives up to 1 year.

The other intangible asset relates to a Management Services Agreement between Accrol Papers Limited and Accrol Group Holdings plc (formerly Accrol Group Holdings Limited). This agreement has an infinite life and therefore is not amortised.

#### **Impairment of non-financial assets**

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. All tangibles and intangibles are allocated to the Group's sole CGU (see note 12).

Any impairment charge is recognised in the income statement in the period in which it occurs. Impairment losses relating to goodwill cannot be reversed in future periods. Where an impairment loss on other assets, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

#### **Financial instruments**

##### *Financial assets*

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

##### *Financial liabilities*

The Group initially recognises its financial liabilities at fair value net of transaction costs where applicable and subsequently they are measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest rate method over the maturity of the loan.

##### **Derivative financial instruments and cash flow hedges**

The Group holds derivative financial instruments to hedge its foreign currency exposures. These derivatives, classified as cash flow hedges, are initially recognised at fair value and then re measured at fair value at the end of each reporting date. Hedging instruments are documented at inception and effectiveness is tested throughout their duration. Changes in the value of cash flow hedges are recognised in other comprehensive income and any ineffective portion is immediately recognised in the statement of comprehensive income. Amounts deferred in other comprehensive income are recognised in the statement of comprehensive income in the same period in which the hedged items affects profit.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates.

##### **Share based payments**

The Group may issue equity settled share-based payments in the parent Company to certain employees in exchange for services rendered. These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the statement of comprehensive income on a straight-line basis over the vesting period after making an allowance for the number of shares that it is estimated will not vest. The level of vesting is reviewed and adjusted annually.

## Leases

### *Finance leases*

Assets funded through finance leases are capitalised as property, plant and equipment, and are depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly in the income statement on an effective interest rate basis.

Material lease arrangements do not include any contingent rental conditions, options to purchase or escalation clauses. There are no restrictions imposed by these lease arrangements.

### *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the purchase on a first in first out basis and includes all direct costs and an appropriate portion of fixed and variable overheads. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution. Supplier rebates are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the rebate amount is then recognised in the income statement.

### Trade and other receivables

Trade and other receivables relate mainly to the sale of paper products to trade customers.

### Cash and cash equivalents (excluding bank overdraft)

Cash and cash equivalents in the balance sheet comprise cash at bank, short-term deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, excluding any bank overdrafts which are disclosed separately within borrowings within current liabilities.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### Current taxation

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

Income tax relating to items recognised in comprehensive income or directly in equity is recognised in comprehensive income or equity and not in the income statement.

### Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

## **Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

### **2. Summary of significant accounting policies** continued

#### Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### **3. Significant accounting judgements, estimates and assumptions**

The preparation of the financial information in accordance with IFRS requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the year. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Group's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions.

The estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

#### Critical accounting judgements in applying the entity's accounting policies

##### *Exceptional items*

During the course of the year the Group incurred expenditure that is not linked directly to the normal trading of the business. This is particularly the case when undergoing significant structural change as has been the case in recent years. In order to better explain the underlying performance of the business, management makes a judgement as to which costs should be included in exceptionals and disclosed separately.

#### Critical accounting estimates in applying the entity's accounting policies

##### *Goodwill and intangible asset impairment*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its sole CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. The Group's trading performance remains sensitive to a number of key variables, including the sterling/US\$ exchange rate and parent reel pricing, which could have a significant effect (positive or negative) on the Group's cashflows.

More information including carrying values is included in note 12.

### **4. Revenue**

The analysis of geographical area of destination of the Group's revenue is set out below:

	2018 £'000	Restated 2017 £'000
United Kingdom	133,132	131,294
Europe	6,606	2,869
Total	139,738	134,163

#### Major customers

In 2018 there were four major customers that individually accounted for c.10% and above of total revenues (2017: four customers). The revenues relating to these customers in 2018 were £28,606,000, £22,200,000, £13,885,000 and £13,706,000 (2017: £31,597,000, £14,532,000, £13,981,000, £12,602,000).

**5. Operating (loss)/profit**

Operating (loss)/profit is stated after (crediting)/charging:

	2018 £'000	2017 £'000
Employee benefit expense	14,106	11,857
Depreciation of property, plant and equipment	2,612	1,910
Impairment of property, plant and equipment	2,502	–
Amortisation of intangible assets	2,041	2,042
Profit on disposal of property, plant and equipment	–	(26)
Operating lease rentals	3,808	1,957
Net foreign exchange losses	4,377	27
Grant income	(118)	(212)

**Auditors' remuneration**

	2018 £'000	2017 £'000
Audit services – Company	13	13
Audit services – Rest of Group	62	53
<i>Non audit services:</i>		
Tax compliance services	12	11
Tax advisory services	–	9
Advice upon IPO	–	225
	87	311

**6. Exceptional items**

	2018 £'000	2017 £'000
Setting up and subsequent exit from Skelmersdale site	3,961	–
Reorganisation and restructure	1,109	–
Impairment of property, plant and equipment	2,502	–
Loss on derivative financial instruments	4,377	–
Professional fees relating to the AIM flotation	–	208
Early settlement charges on finance leases	–	454
Acquisition deal fees	–	352
Consultancy fees	–	567
Other	930	–
	12,879	1,581

Exceptional items for the current and prior year are included within administration expenses.

The exceptional items are described below:

**Year ended 30 April 2018*****Setting up and subsequent exit from Skelmersdale site***

Skelmersdale set up costs of £315,000 include duplicated costs relating to redundant space, additional deliveries and staffing.

Charges of £3,646,000 relate to the decision to exit from the Skelmersdale facility and logistics agreements. This primarily comprises onerous contract provisions of £3,164,000 and trade receivables of £350,000 that were impaired as part of the settlement.

***Reorganisation and restructure***

Costs associated with the exit of the previous management team, the recruitment of a new management team against an unfavourable background and the dual running of roles to drive rapid change.

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**6. Exceptional items** continued*Impairment of property, plant and equipment*

The charge of £2,502,000 comprises £2,056,000 to create the space to absorb Skelmersdale stockholding and £446,000 relating to lines supporting the Away from Home market. Assets have been impaired to their net realisable value.

*Loss on derivative financial instruments*

The charge comprises the early settlement costs of unrequired foreign exchange forward contracts, plus charges relating to forward contracts that when crystallised were not used to purchase raw materials.

*Other*

Other costs primarily comprise the HSE fine and associated defence costs (£212,000), the decision to release value in working capital despite the short-term cost (£254,000) and costs relating to the exit from the Away from Home market (£190,000).

**Year ended 30 April 2017**

Professional fees of £208,000 incurred as part of the IPO process have been classified as exceptional as they do not directly relate to the raising of the equity for the AIM flotation so cannot be charged against share premium. In addition, part of the funds raised in the IPO were used to reduce the debt in the business with the majority of the finance leases being repaid which attracted an early redemption charge of £454,000.

Fees totalling £352,000 relating to the acquisition of the Accrol Group in July 2014 by Accrol Group Holdings Limited, were also required to be written off as part of the accounting for the IPO.

Consultancy costs totalling £567,000 were incurred as part of the restructuring. These related mainly to the Hussain Family consultancy, manufacturing consultancy and human resourcing consultancy.

**7. (Loss)/earnings per share**

The basic (loss)/earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the (loss)/profit after tax by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options. The following reflects the income and share data used in the earnings per share calculations:

	2018 £'000	Restated 2017 £'000
(Loss)/profit for the year attributable to shareholders	(19,963)	6,708
	Number	Number
Basic weighted average number of shares <sup>1</sup>	106,820,221	88,145,846
Dilutive share options	–	1,321,025
Diluted weighted average number of shares	106,820,221	89,466,871
	£	£
Basic (loss)/earnings per share	(0.19)	0.08
Diluted (loss)/earnings per share	(0.19)	0.07

(1) In the year ended 30 April 2017, the basic weighted average number of shares was calculated by excluding the D class of shares (see note 21) as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

No adjustment has been made in 2018 to the weighted average number of shares for the purpose of the diluted earnings per share calculation as the effect would be anti-dilutive.

The earnings per share figures for 2017 have been corrected following discussions with the FRC. The figure for basic and diluted earnings per share of £0.09, presented in last year's accounts, should have been £0.08. The impact of the prior year restatements reduces the diluted earnings per share figure to £0.07. Furthermore, it should be noted that the corrected number for 2016 is £0.11 not £576.26 as stated in the accounts to 2017. The difference arises due to a restatement to correctly reflect the effect on earnings per share of the bonus issue, subdivision and reorganisation of shares which occurred on 1 June 2016 in preparation for the Company's IPO.

Subsequent to the reporting date, as disclosed in note 22, further ordinary shares were issued, which will impact upon the basic and diluted earnings per share calculations for the year ended 30 April 2019.

**8. Employee costs**

	2018 £'000	2017 £'000
Employee costs during the year amounted to:		
Wages and salaries	12,930	10,748
Social security costs	1,204	801
Other pension costs	168	112
Cost of employee share schemes (note 25)	(196)	196
	14,106	11,857

The average number of employees (including the Executive Directors) during the year were:

	Number	Number
Production	463	462
Administration	47	46
	510	508

**9. Finance costs**

	2018 £'000	2017 £'000
<i>Finance costs on pre-IPO debt structure</i>		
Shareholder loans	–	478
	–	478
<i>Finance costs on post-IPO debt structure</i>		
Bank loans and overdrafts	277	368
Finance lease interest	23	80
Interest on factoring facility	277	160
Amortisation of finance fees	136	43
	713	651
<b>Total finance costs</b>	713	1,129

**10. Income tax expense**

Tax credited/(charged) in the income statement

	2018 £'000	Restated 2017 £'000
<i>Current income tax</i>		
Current tax on profits for the year	–	(2,059)
Adjustment in respect of prior periods	2,182	–
<b>Total current income tax credit/(charge)</b>	2,182	(2,059)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	2,434	223
Adjustment in respect of prior periods	(436)	–
Change in tax rate	(74)	(21)
<b>Total deferred tax credit</b>	1,924	202
<b>Tax credit/(charge) in the income statement</b>	4,106	(1,857)

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**10. Income tax expense** continued

The tax credit for the year is lower (2017 charge: is higher) than the effective rate of Corporation Tax in the UK of 19% (2017: 19.92%). The differences are explained below:

	2018 £'000	Restated 2017 £'000
(Loss)/profit before income tax	(24,069)	8,565
Effective rate	19%	19.92%
At the effective income tax rate	4,573	(1,706)
Expenses not deductible for tax purposes	(118)	(130)
Adjustment in respect of prior periods	(436)	–
Change in rate	87	(21)
<b>Total tax credit/(charge)</b>	<b>4,106</b>	<b>(1,857)</b>

During the year the Group recognised the following deferred tax assets/(liabilities):

	Accelerated capital allowances £'000	Intangible assets £'000	Derivative financial instruments £'000	Losses £'000	Other £'000	Total £'000
<b>30 April 2016</b>	(1,527)	(3,016)	–	–	65	(4,478)
Credit/(charge) in year – restated	(168)	375	–	–	(5)	202
Credit to equity	–	–	545	–	–	545
<b>30 April 2017 – restated</b>	(1,695)	(2,641)	545	–	60	(3,731)
Credit/(charge) in year	552	404	127	901	(60)	1,924
Charge to equity	–	–	(545)	–	–	(545)
<b>30 April 2018</b>	(1,143)	(2,237)	127	901	–	(2,352)

The following is the analysis of deferred tax balances for financial reporting purposes:

	2018 £'000	Restated 2017 £'000
Deferred tax assets	1,028	545
Deferred tax liabilities	(3,380)	(4,276)
	(2,352)	(3,731)

The deferred tax asset in the prior year is recognised on the loss on cash flow hedges. The credit has been taken to the hedging reserve.

A deferred tax asset of £901,000 relating to current year losses has been recognised in the year, on the basis that, following a review of forecasts, management expect that these will be recovered against future taxable profits.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £261,000 (2017: £58,000).

The Finance Act 2016 reduced the main rate of corporation tax to 19% from 1 April 2017. A future rate reduction to 17% from 1 April 2020, was substantively enacted on 15 September 2016. Therefore, the rate of 19% (2017: 20%) has been reflected in the consolidated financial statements and deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. Deferred tax has been provided at the rate of 17% as at 30 April 2018 (2017: 18%).

**11. Property, plant and equipment**

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
<b>At 30 April 2016</b>	156	705	23,543	135	3,152	27,691
Additions	–	344	684	46	3,373	4,447
Disposals	–	–	–	(138)	–	(138)
<b>At 30 April 2017</b>	156	1,049	24,227	43	6,525	32,000
Additions	188	254	1,502	–	979	2,923
Reclassification	–	–	6,525	–	(6,525)	–
Disposals	–	–	(213)	–	–	(213)
<b>At 30 April 2018</b>	344	1,303	32,041	43	979	34,710
<b>Accumulated depreciation</b>						
<b>At 30 April 2016</b>	49	205	2,938	92	–	3,284
Charge for the year	10	140	1,739	21	–	1,910
Disposals	–	–	(18)	(90)	–	(108)
<b>At 30 April 2017</b>	59	345	4,659	23	–	5,086
Charge for the year	37	299	2,260	16	–	2,612
Impairment loss	–	–	2,502	–	–	2,502
Disposals	–	–	(213)	–	–	(213)
<b>At 30 April 2018</b>	96	644	9,208	39	–	9,987
<b>Net book value</b>						
<b>At 30 April 2018</b>	248	659	22,833	4	979	24,723
At 30 April 2017	97	704	19,568	20	6,525	26,914

The net book value of tangible fixed assets includes an amount of £317,000 (2017: £538,000) in respect of plant and machinery assets held under finance leases and £nil (2017: £nil) in respect of assets under construction held under finance leases.

Assets with a value of £24,723,000 (2017: £26,914,000) form part of the security against the bank facility as described in note 18.

The impairment loss of £2,502,000 has been disclosed in note 6.

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**12. Intangible assets**

	Goodwill £'000	Customer relationships £'000	Order book £'000	Other £'000	Total £'000
<b>Cost</b>					
<b>At 30 April 2016</b>	14,982	20,427	86	–	35,495
Additions	–	–	–	40	40
<b>At 30 April 2017</b>	14,982	20,427	86	40	35,535
Additions	–	–	–	–	–
<b>At 30 April 2018</b>	14,982	20,427	86	40	35,535
<b>Amortisation</b>					
<b>At 30 April 2016</b>	–	3,665	86	–	3,751
Charge for the year	–	2,042	–	–	2,042
<b>At 30 April 2017</b>	–	5,707	86	–	5,793
Charge for the year	–	2,041	–	–	2,041
<b>At 30 April 2018</b>	–	7,748	86	–	7,834
<b>Net book value</b>					
<b>At 30 April 2018</b>	14,982	12,679	–	40	27,701
At 30 April 2017	14,982	14,720	–	40	29,742

The balance for Goodwill, Customer relationships and Order book arose on the Group's acquisition of Accrol Holdings Limited and are attributed to the sole cash-generating unit ('CGU').

The customer relationships are amortised over 10 years, with approximately seven years remaining.

**Impairment test for goodwill**

Goodwill is monitored for internal management purposes at the Group's sole CGU level. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board covering a three year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions.

The key assumptions used in the value in use calculations are a pre-tax discount rate of 9.5% (2017: 13%) and a long term growth rate of 2% (2017: 2%). The discount rate is derived from the Group's weighted average cost of capital and is calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information.

Goodwill is tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the years under review management's value in use calculations have indicated no requirement to impair.

**Sensitivity to changes in assumptions**

The Group's trading performance remains sensitive to a number of key variables, including the sterling/US\$ exchange rate, parent reel pricing and the speed of business change, which could have a significant effect (positive or negative) on the Group's profitability. Of these, the greatest sensitivity is to the sterling/US\$ exchange rate, which currently has a very broad forecast range due to the uncertainties surrounding Brexit. The exchange rate used in management's forecasts assume a weighted average forecast rate. Should sterling weaken significantly, profit recovery would need to be built on price increases.

The estimates of the recoverable amounts associated with these CGU affords significant head room over the carrying value, however should price increases not be possible, the Group may need to recognise an impairment loss. Without price increases, a 1 cent worsening of the sterling/US\$ exchange rate has c£0.5m impact on EBITDA.

**13. Inventories**

	2018 £'000	Restated 2017 £'000
Raw materials	8,690	9,090
Finished goods and goods for resale	5,367	5,891
	14,057	14,981

Inventories recognised as an expense during the year and included in cost of sales amounted to £86,629,000 (2017: £75,947,000).

There are £658,000 provisions held against inventories (2017: £nil).

**14. Trade and other receivables**

	2018 £'000	Restated 2017 £'000
Trade receivables	28,660	22,861
Less: provision for impairment of trade receivables	(815)	(85)
<b>Trade receivables – net of provisions</b>	<b>27,845</b>	<b>22,776</b>
Prepayments and other debtors	2,142	1,004
	29,987	23,780

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

**15. Cash and cash equivalents**

	2018 £'000	2017 £'000
Cash and cash equivalents	431	3,867

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

**16. Trade and other payables**

	2018 £'000	Restated 2017 £'000
Trade payables	8,859	14,892
Social security and other taxes	788	1,558
Accruals and deferred income	3,515	1,841
Deferred government grant income	696	814
	13,858	19,105

Trade payables are non-interest bearing and are paid on average within 21 days at 30 April 2018 (2017: 30 days).

Deferred government grant income relates to grants received for purchase of plant and machinery.

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**17. Provisions**

	As at 1 May 2017 £'000	Created in the year £'000	As at 30 April 2018 £'000	Current £'000	Non current £'000
Onerous contracts	–	3,164	3,164	492	2,672
	–	3,164	3,164	492	2,672

The onerous contract provisions relate to the decision to exit from the Skelmersdale facility and logistics agreements (see note 6).

The non-current portion of the onerous contract provision is expected to be utilised in the following periods: years 1-2 (£609,000), years 2-5 (£1,596,000), and years 5-9 (£467,000).

**18. Borrowings**

	2018 £'000	2017 £'000
<b>Current</b>		
Revolving credit facility	2,770	–
Factoring facility	18,677	9,523
Finance leases	223	186
	21,670	9,709
<b>Non-current</b>		
Revolving credit facility	11,455	12,778
Finance leases	304	368
	11,759	13,146

Finance costs incurred to arrange the Revolving Credit Facility have been capitalised and are being amortised through interest payable. Unamortised finance costs at 30 April 2018 are £775,000 (2017: £222,000).

Finance costs are not included in the loan maturity table below.

	2018 £'000	2017 £'000
<b>Loan maturity analysis</b>		
Within one year	21,900	9,709
Between one and two years	2,216	185
Between two and five years	10,088	13,183
After five years	–	–
	34,204	23,077

The following amounts remain undrawn and available:

	2018 £'000	2017 £'000
Revolving credit facility	1,000	3,000
Factoring facility	2,852	13,043
	3,852	16,043

The Group's bank borrowings are secured by way of fixed and floating charge over the Group's assets. As at 30 April 2018 this comprised property, plant and equipment of £24,723,000, inventories of £14,057,000 and trade receivables of £27,845,000.

**HSBC Revolving Credit Facility agreement (“Bank facility”)**

At 30 April 2018 the Group had drawn £15 million against a Revolving Credit Facility (“RCF”). The original £18 million facility, dated 2 June 2016, was for a period of five years. The facility was amended and restated on 7 December 2017 and further amended on 19 January 2018, principally affecting financial covenant tests. On 25 September 2018, revised covenants and amendments to the scheduled repayments were agreed. The revised facility is now as follows:

- 30 April 2018: £16 million
- 31 October 2018: £15 million
- 30 April 2019: £13 million
- 30 April 2020: £11 million

Interest charged on the facility is at LIBOR plus a margin of 2.25%. A commitment fee of 40% of applicable margin on any undrawn RCF is also payable.

The Obligors are Accrol Group Holdings plc, Accrol UK Limited, Accrol Holdings Limited and Accrol Papers Limited. Any guarantees and security each have previously granted in favour of HSBC remained in respect of all liabilities arising under the RCF agreement.

**HSBC £23 million factoring credit facility (“Factoring facility”)**

The Group has a £23 million multi-currency revolving credit facility to provide factoring financing for general working capital requirements. Under the terms of this facility the drawdown is based upon gross debtors less a retention (typically 20%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

**Covenants**

The Group is subject to financial covenants in relation to the Bank Facility and the Factoring facility. The bank facility covenants are EBITDA targets and asset cover ratios, with limits set on exceptional costs and capital expenditure. The covenants in relation to the Factoring Facility cover the following: a) Debt dilution, b) Disputed debt and c) Tangible net worth. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

**19. Financial instruments****Derivative financial instruments**

Derivative financial instruments comprise the Group’s forward foreign exchange contracts. The assets and liabilities representing the valuations of the forward foreign exchange contracts at the year-end are:

	2018 £'000	2017 £'000
Foreign currency contracts		
Current assets	–	841
Current liabilities	(668)	(3,235)
Non-current liabilities	–	(474)
	(668)	(2,868)

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The foreign currency swaps are designated as fair value through profit or loss at initial recognition. The fair value of the Group’s foreign currency derivatives is calculated as the difference between the contract rates and the mark to market rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each year end is categorised as a Level 2 valuation (see below).

At 30 April 2018 the notional principal amount of the outstanding derivative contracts that are held to hedge the Group’s transaction exposures was £10,467,000. Cash flows in respect of these contracts are due within 12 months of the reporting date.

The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

**Fair value hierarchy**

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the years under review.

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**19. Financial instruments** continued

## Fair values

The fair values of the Group's financial instruments approximates closely with their carrying values, which are set out in the table below:

	Fair values and carrying values	
	2018 £'000	Restated 2017 £'000
<b>Financial assets</b>		
<i>Current</i>		
Trade receivables	27,845	22,776
Cash and short-term deposits	431	3,867
Derivative financial instruments	–	841
<b>Financial liabilities</b>		
<i>Current</i>		
Borrowings	21,670	9,709
Trade and other payables	13,858	19,105
Derivative financial instruments	668	3,235
<i>Non-current</i>		
Borrowings	11,759	13,146
Derivative financial instruments	–	474

**20. Capital and financial risk management objectives and policies****(a) Capital risk management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust capital the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

	2018 £'000	2017 £'000
Total borrowings (excluding finance fees)	34,204	23,077
Less: cash and cash equivalents	(431)	(3,867)
<b>Net debt</b>	<b>33,773</b>	<b>19,210</b>

**(b) Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Foreign currency risk
- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

**(i) Foreign currency risk**

The Group has transactional currency exposures arising from purchases in currencies other than the Group's functional currency. These exposures are forecast on a monthly basis and are monitored by the Finance Department. Under the Group's foreign currency policy, such exposures are hedged on a reducing percentage basis over a number of forecast time horizons using forward foreign currency contracts.

The Group's largest exposures are the US Dollar and Euro forward contracts. The derivative analysis below had been prepared by reperforming the calculations used to determine the balance sheet values assuming a 1% strengthening of Sterling:

	2018 £'000	2017 £'000
Euro – loss	–	(79)
USD – loss	(97)	(844)
	(97)	(923)

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Factoring facility and Bank facility, both of which have floating interest rates.

The exposure to risk is deemed to be manageable and is reviewed on a continual basis. The Group is not expecting any reduction in interest rates over the next 12 months, the impact of 0.5% increase in interest rates on (loss)/profit before tax is shown below:

	2018 £'000	2017 £'000
Change in interest rate	168	94

**(iii) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves.

The table below summaries the maturity profile of the Group's financial liabilities (excluding finance fees):

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
As at 30 April 2018					
Borrowings	21,900	2,216	10,088	–	34,204
Trade and other payables	13,858	–	–	–	13,858
Derivative financial instruments	668	–	–	–	668
<b>Total financial liabilities</b>	<b>36,426</b>	<b>2,216</b>	<b>10,088</b>	<b>–</b>	<b>48,730</b>
	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
As at 30 April 2017 (Restated)					
Borrowings	9,709	185	13,183	–	23,077
Trade and other payables	19,105	–	–	–	19,105
Derivative financial instruments	3,235	474	–	–	3,709
<b>Total financial liabilities</b>	<b>32,049</b>	<b>659</b>	<b>13,183</b>	<b>–</b>	<b>45,891</b>

**(iv) Credit risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is low. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**20. Capital and financial risk management objectives and policies** continued

The ageing of trade receivables at the reporting date was as follows:

	2018 £'000	2017 £'000
Less than 1 month	13,528	13,158
Between 1 and 2 months	10,057	8,267
Between 2 and 3 months	2,834	988
Between 3 and 6 months	1,641	448
Over 6 months	600	–
	28,660	22,861

The Group manages credit risk by allocating customers a credit limit and ensures the Group's exposure is within this limit. This approach is strengthened with the use of credit insurance where deemed appropriate. The Group does not hold any collateral as security.

The Group's major customers (including those disclosed in note 4) are established retailers and therefore management do not deem there to be significant associated credit risk.

Trade and other receivables which are less than three months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than three months past due are considered for recoverability, and where appropriate an impairment provision is recognised.

Included in the Group's trade receivables balance are debtors which are past due at the reporting date for which the Group has not impaired as there has not been a significant change in the credit quality and the amounts are considered recoverable.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The movement in the provision for trade and other receivables is analysed below:

	2018 £'000	2017 £'000
At the beginning of the year	(85)	(85)
Impairment losses recognised	(380)	–
Impairment losses recognised – exceptional	(350)	–
	(815)	(85)

Impairment losses recognised are included in the administrative expenses in the Income Statement, unless otherwise stated. The exceptional charge is related to the exit from the Skelmersdale facility. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

**21. Commitments and contingencies****Operating lease commitments**

The Group has operating leases in place on a number of business premises. These leases have durations between 10 and 15 years.

There are no restrictions placed upon the Group by entering into these leases. The lease expenditure charged to the income statement during the year is disclosed in note 5.

Future minimum rentals payable under non-cancellable operating leases as at the year end, analysed by the period in which they fall due, are as follows:

	2018 £'000	2017 £'000
Within 1 year	3,508	2,821
Between 1 and 2 years	3,773	3,614
Between 2 and 5 years	10,229	10,879
Greater than 5 years	8,031	11,531
	25,541	28,845

**Finance lease commitments**

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	2018 £'000	2017 £'000
Within 1 year	224	198
Between 1 and 2 years	244	192
Between 2 and 5 years	96	190
Future finance charges	564 (37)	580 (29)
<b>Present value</b>	<b>527</b>	<b>551</b>

The present value of finance lease liabilities is as follows:

	2018 £'000	2017 £'000
Within 1 year	223	184
Between 1 and 2 years	216	184
Between 2 and 5 years	88	183
	<b>527</b>	<b>551</b>

**Capital commitments**

	2018 £'000	2017 £'000
Contracted for but not provided	3,611	–

**22. Share capital and reserves**

	2018 £'000	2017 £'000
Called up, allotted and fully paid Ordinary shares of £0.001 each	129	93
	<b>129</b>	<b>93</b>

The number of ordinary shares in issue is set out below:

	2018 Number	2017 Number
Ordinary shares of £0.001 each	129,012,002	93,012,002

On 11 December 2017, 36,000,000 £0.001 ordinary shares were issued at a price of 50 pence per share.

Subsequent to the reporting date, on 1 June 2018, 53,333,334 £0.001 ordinary shares were issued and on 8 June 2018 a further 12,901,200 ordinary shares of £0.001 were issued.

On 2 June 2016 warrants were issued to Zeus Capital Limited entitling the holder to subscribe for 2,790,361 shares at a price of £1 per share any time up to the 10th anniversary of the Company admission to the AIM market.

**23. Dividends**

The Company did not pay an interim dividend (2017: 2 pence per share, totalling £1,860,000).

The Directors do not propose to pay a final dividend (2017: 4 pence per share, totalling £3,720,000).

The total dividend for the year was therefore £nil (2017: £5,580,000).

*Financial Statements***Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**24. Related party disclosures****(a) Identity of related parties**

The Company's significant shareholders include NorthEdge Capital LLP and members of the Hussain family. Phoenix Court Blackburn Limited is a company under the control of the Hussain family providing commercial premises for letting. Alklar Limited is an entity under the common directorship of Peter Cheung, to which payments for Peter Cheung's services as a Director for Accrol UK Limited were made. Post the AIM listing, Peter Cheung was remunerated for his services via payroll. Nisiac Limited is a company under the control of the Hussain family, to which payments for the consulting services of the Hussain family were made.

The subsidiaries of the Group are as follows:

Company	Principal activity	Country of incorporation	Holding %
Accrol UK Limited	Holding company	United Kingdom	100%
Accrol Holdings Limited	Holding company	United Kingdom	100%
Accrol Papers Limited	Paper convertor	United Kingdom	100%

The registered address of all subsidiaries in the Group is the Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD.

**(b) Transactions with related parties**

The following table provides the total amounts of purchases and interest charged from related parties for the relevant financial year:

*Transactions*

	2018 £'000	2017 £'000
NorthEdge Capital LLP	–	259
The Hussain family	–	241
Phoenix Court Blackburn Limited	1,751	1,744
Alklar Limited	–	62
Nisiac Limited	–	175
<b>Total</b>	<b>1,751</b>	<b>2,481</b>

As at 30 April 2018 and 30 April 2017, no amounts are owed to/from related parties.

*Terms and conditions of transactions with related parties*

The purchases and loans from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables.

**(c) Directors' emoluments**

	2018 £'000	2017 £'000
Directors' fees	–	62
Short term employment benefits	919	649
Termination benefits	260	–
Post employment benefits	–	32
Share based payments	(196)	196
	<b>983</b>	<b>939</b>

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2017: nil). The aggregate amount of emoluments paid to the highest paid Director was £423,000 (2017: £305,000).

**(d) Key management personnel**

Key management personnel are considered to be the Executive and Non-Executive Directors of the Company. The remuneration of all Directors who have been identified as the key management personnel of the Group is set out above in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

**(e) Company transactions with its subsidiaries**

The Company received dividends from its subsidiaries during the year of £nil (2017: £10,000,000). The Company charged management fees to its subsidiaries during the year of £1,049,000 (2017: £620,000).

## 25. Share based payments

The charge for share based payments under IFRS 2 arises under the Management Incentive Plan (“MIP”). Amounts recognised for the year arising from share-based payment was a credit of £196,503 (2017: charge of £196,503). The entire share-based payments expense arises from transactions accounted for as equity-settled share-based payment transactions.

Movements in the number of share options outstanding and their relative weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price in £ per share option	Options (Number)	Average exercise price in £ per share option	Options (Number)
At 1 May	1.30	3,052	–	–
Granted	–	–	1.30	3,052
Lapsed	1.30	(3,052)	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
At 30 April	–	–	1.30	3,052

Out of the nil outstanding options (2017: 3,052) nil options (2017: nil) were exercisable. No options were exercised in 2018 (2017: nil), however all the outstanding options lapsed on the resignation of the Directors.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant – vest	Expiry date	Exercise price in £ per share option	Share options	
			2018	2017
2016-2019	10-Jun-23	1.30	–	3,052
			–	3,052

The weighted average fair value of options granted in June 2016 determined using the Black-Scholes-Merton model valuation was £217.50. The significant inputs into the model were the underlying equity value (taken to be the total market capitalisation of Accrol Group Holdings plc on admission), the exercise price of an option (shown above), volatility of 26.95%, divided yield of 6%.

The volatility is based on statistical analysis of the volatility of comparable companies over a 5 year period as the historical data is not available due to Accrol Group Holdings plc’s recent listing on AIM.

See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

**Notes to the Consolidated Financial Information** *continued**For the year ended 30 April 2018***26. Events after the balance sheet date**

On 1 June 2018 the Group raised £7.5m (net of expenses) by way of a Placing and a further £1.8m (net of expenses) on 8 June 2018 by way of Open Offer.

In September 2018 revised bank covenants on the existing facilities were agreed with HSBC to provide greater financial stability for the Group.

**27. Prior year restatement**

It has been identified that certain of the Group's accounting policies and processes were not correctly applied at the close of the year ended 30 April 2017. Due to the materiality of the errors a restatement of the consolidated income statement, the consolidated cash flow statement and consolidated statement of changes in equity for the year ended 30 April 2017, and the consolidated statement of financial position as at 30 April 2017 is required.

In aggregate, the effect of the prior period restatements is to reduce net assets at 30 April 2017 by £366,000 and to reduce profit after tax for the period ended 30 April 2017 by £668,000. There is no impact of the restatements on net assets as at 30 April 2016.

The nature and effect of individual adjustments are described below.

**Revenue recognition**

Sales to the value of £890,000 should not have been booked in the year to 30 April 2017 as the products remained at the Group's premises at the reporting date and therefore title did not pass to the relevant customers. Associated costs of £623,000 were charged, resulting in an overstatement of gross profit of £267,000.

**Carriage costs**

A review of a supplier statement reconciliation as at 30 April 2017 identified that certain liabilities in relation to carriage costs had not been recognised. As a result cost of sales was understated (and therefore gross profit overstated) by £265,000.

**Share warrants**

As part of the Initial Public Offering, on 2 June 2016 share warrants were issued to Zeus Capital for their services provided to the Company in their capacity as nominated adviser. The costs associated with the issue of the warrants were not accounted for in the prior year. An exercise has been performed to assess the fair value of the warrants issued, and this has had the impact of increasing administration expenses, and therefore reducing operating profit, by £302,000.

**Summary**

A summary of the combined impact of the prior year adjustments on the consolidated income statement and consolidated statement of cash flows for the year ended 30 April 2017 and on the consolidated statement of financial position as at 30 April 2017 are as follows:

*Consolidated income statement for the year ended 30 April 2017*

	30 April 2017 As published £'000	Revenue recognition £'000	Carriage costs £'000	Share warrants £'000	30 April 2017 Restated £'000
Revenue	135,053	(890)	–	–	134,163
Gross profit	37,679	(267)	(265)	–	37,147
Operating profit	10,528	(267)	(265)	(302)	9,694
Profit before tax	9,399	(267)	(265)	(302)	8,565
Tax	(2,023)	53	53	60	(1,857)
Profit after tax	7,376	(214)	(212)	(242)	6,708
Adjusted EBITDA	16,061	(267)	(265)	(302)	15,227

*Consolidated statement of financial position as at 30 April 2017*

	30 April 2017 As published £'000	Revenue recognition £'000	Carriage costs £'000	Share warrants £'000	30 April 2017 Restated £'000
Inventories	14,358	623	–	–	14,981
Trade and other receivables	24,670	(890)	–	–	23,780
Deferred tax liabilities	(4,336)	–	–	60	(4,276)
Trade and other payables	(18,840)	–	(265)	–	(19,105)
Income tax payable	(920)	53	53	–	(814)
Net assets	50,277	(214)	(212)	60	49,911

*Consolidated statement of cash flows for the year ended 30 April 2017*

	30 April 2017 As published £'000	Revenue recognition £'000	Carriage costs £'000	Share warrants £'000	30 April 2017 Restated £'000
Operating cash flows before movements in working capital	15,454	(267)	(265)	–	14,922
Increase in inventories	(4,997)	(623)	–	–	(5,620)
Increase in trade and other receivables	(3,224)	890	–	–	(2,334)
Increase in trade and other payables	6,431	–	265	–	6,696

The impact on diluted EPS for the year ended 30 April 2017 was a reduction of £0.01 to £0.07. There was no change in the reported basic EPS for the year ended 30 April 2017.

**EPS calculation**

The earnings per share figures for 2017 have been corrected following an enquiry from the FRC (see note 7).

**28. Alternative performance measures**

The Group uses a number of alternative performance measures to assess business performance and provide additional useful information to shareholders about the underlying performance of the Group.

**Adjusted earnings per share**

The adjusted earnings per share is calculated by dividing the adjusted earnings attributable to ordinary equity holder of the parent by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the adjusted earnings per share calculation.

	2018 Restated £'000	2017 Restated £'000
(Loss)/earnings attributable to shareholders	(19,963)	6,708
Adjustment for:		
Amortisation	2,041	2,042
Exceptional items	12,879	1,581
Tax effect of adjustments above	(2,835)	(524)
<b>Adjusted (loss)/earnings attributable to shareholders</b>	<b>(7,878)</b>	<b>9,807</b>
	Number	Number
Basic weighted average number of shares <sup>1</sup>	106,820,221	88,145,846
Dilutive share options	–	1,321,025
Diluted weighted average number of shares	106,820,221	89,466,871
	£	£
Basic adjusted earnings per share	(0.07)	0.11
Diluted adjusted earnings per share	(0.07)	0.11

(1) In the year ended 30 April 2018 and 2017, the basic weighted average number of shares was calculated by excluding the D class of shares as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

*Financial Statements*

## **Notes to the Consolidated Financial Information** *continued*

For the year ended 30 April 2018

**28. Alternative performance measures** *continued*

Reconciliation from GAAP- defined reporting measures to the Group's alternative performance measures  
Management use these measurements to better understand the underlying business of the Group.

*Consolidated income statement*

	2018 £'000	Restated 2017 £'000
<i>Adjusted EBITDA</i>		
Operating (loss)/profit	(23,356)	9,694
Adjusted for:		
Depreciation	2,612	1,910
Amortisation	2,041	2,042
Exceptional items	12,879	1,581
Adjusted EBITDA	(5,824)	15,227

# Company Statement of Financial Position

As at 30 April 2018

	Note	2018 £'000	2017 £'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Investments in subsidiaries	6	41,437	41,437
<b>Total non-current assets</b>		41,437	41,437
<i>Current assets</i>			
Trade and other receivables	7	21,001	7,904
Cash and cash equivalents		287	287
<b>Total current assets</b>		21,288	8,191
<b>Total assets</b>		62,725	49,628
<i>Current liabilities</i>			
Trade and other payables		–	–
<b>Total current liabilities</b>		–	–
<b>Total liabilities</b>		–	–
<b>Net assets</b>		62,725	49,628
<i>Capital and reserves</i>			
Share capital	8	129	93
Share premium		58,832	41,597
Capital redemption reserve		27	27
Retained earnings		3,737	7,911
<b>Total equity shareholders' funds</b>		62,725	49,628

The financial statements were approved by the Board of Directors on 27 September 2018.

Signed on behalf of the Board of Directors

**Gareth Jenkins**  
Chief Executive Officer

**Steven Townsley**  
Chief Financial Officer

Company Registration Number 09019496

*Financial Statements***Company Statement of Changes in Equity**

For the year ended 30 April 2018

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Restated Retained earnings £'000	Restated Total equity £'000
<b>Balance at 1 May 2016</b>		13	84	–	–	97
Transactions with owners						
Bonus issue of ordinary shares		64	(64)	–	–	–
Proceeds from shares issued		43	43,285	–	–	43,328
Buy back of deferred share for consideration of £1		(27)	–	27	–	–
Transaction costs		–	(1,708)	–	–	(1,708)
Issue of share warrants – restated	8	–	–	–	302	302
Dividends		–	–	–	(1,860)	(1,860)
Total for transactions with owners		80	41,513	27	(1,558)	40,062
Comprehensive income						
Profit for the year – restated		–	–	–	9,469	9,469
Total comprehensive income		–	–	–	9,469	9,469
<b>Balance at 30 April 2017 and at 1 May 2017</b>		93	41,597	27	7,911	49,628
Transactions with owners						
Proceeds from shares issued	8	36	17,964	–	–	18,000
Transaction costs		–	(729)	–	–	(729)
Dividends		–	–	–	(3,720)	(3,720)
Total for transactions with owners		36	17,235	–	(3,720)	13,551
Comprehensive income						
Loss for the year		–	–	–	(454)	(454)
Total comprehensive loss		–	–	–	(454)	(454)
<b>Balance at 30 April 2018</b>		129	58,832	27	3,737	62,725

# Notes to the Company Financial Information

For the year ended 30 April 2018

## 1. General information

Accrol Group Holdings plc (formerly Accrol Group Holdings Limited), (the "Company") was incorporated with Company number 09019496. It is a public company limited by shares and is domiciled in the United Kingdom. The registered address of the Company is the Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD. The Company's subsidiaries are listed in note 24 to the consolidated financial statements, which together with the Company form the Accrol Group Holdings plc Group (the "Group"). The Company acts as a holding company for the remainder of the Accrol Group.

## 2. Summary of significant accounting policies

A summary of the significant accounting policies is set out below. These have been applied consistently during the financial year.

### Basis of preparation

The Company Financial Statements of Accrol Group Holdings plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the parent Company is not presented with these Financial Statements. The retained profit of the parent Company is shown in the statement of changes in equity. Details of dividends paid are included in note 8 of the Company Financial Statements.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its Financial Statements are consolidated into the Group Financial Statements of Accrol Group Holdings plc, which are included within this Annual Report.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  - (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  - (i) 10(d) (statement of cash flows);
  - (ii) 16 (statement of compliance with all IFRS);
  - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements);
  - (iv) 38B-D (additional comparative information);
  - (v) 111 (cash flow statement information); and
  - (vi) 134-136 (capital management disclosures);
- IAS 7 'Statement of Cash Flows';
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

### Prior year restatement

It has been identified that certain of the Company's accounting policies and processes were not correctly applied at the close of the year ended 30 April 2017. Due to the materiality of the errors a restatement of the results for the year is required.

As part of the Initial Public Offering, on 2 June 2016 share warrants were issued to Zeus Capital for their services provided to the Company in their capacity as nominated adviser. The costs associated with the issue of the warrants were not accounted for in the prior year. An exercise has been performed to assess the fair value of the warrants issued, and this has had the impact of increasing administration expenses, and therefore reducing operating profit and profit after tax, by £302,000. However, there is no impact on net assets. The Company Statement of Changes in Equity for the year ended 30 April 2018 has been updated accordingly.

**Notes to the Company Financial Information** *continued**For the year ended 30 April 2018***2. Summary of significant accounting policies** *continued***Standards issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2018 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of application when the relevant standards come into effect.

- Amendments to IFRS 2 'Share based payments' Classification and Measurement' (effective 1 January 2018)
- Amendments to IFRS 4 'Insurance contracts' Amendments regarding implementation of IFRS 9 (effective 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)
- Amendments to IAS 28 'Investments in associates and joint ventures' regarding short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2018)
- Amendments to IAS 40 'Investment property' transfer of property (effective 1 January 2018)
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018)
- Annual Improvements 2014-2016 (effective 1 January 2018)
- Amendments to IFRS 1 'First-time adoption of IFRS' regarding short term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2019)
- IFRS 16 'Leases' (effective 1 January 2019)
- Amendments to IAS 19 'Employee benefits' Plan amendment, curtailment or settlement (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax' (effective 1 January 2019)
- Annual Improvements 2015-2017 (effective 1 January 2019)

The Company has begun an assessment of the impact of the following new standards:

**IFRS 9 'Financial Instruments' (effective 1 January 2018)**

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 introduces the requirement for lenders of intercompany loans to consider forward looking information to calculate expected credit losses. At the reporting date, amounts owed from subsidiary companies total £20.8m. Despite there being no present intention of the Company to demand repayments, were demand to be made at the reporting date, it is deemed that the relevant subsidiaries would be unable to repay the intercompany loan in full within 12 months, therefore an impairment and adjustment to opening retained earnings may be required.

**Going Concern**

The going concern status of the parent company is intrinsically linked to the success of the Group, which, as disclosed in note 2 of the Consolidated Financial Statements, is dependent on certain key assumptions being achieved. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**Exceptional items**

Items that are material in size or unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the consolidated income statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the consolidated income statement, helps provide an indication of the Group's underlying business performance.

**Investments**

On initial recognition, investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid. Where consideration is paid by way of shares, the excess of fair value of the shares over nominal value of those shares is recorded in share premium. Investments in subsidiaries are reviewed for impairment at each balance sheet date with any impairment charged to the income statement.

**Financial Instruments****Financial assets**

The Company classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Company's loans and receivables comprise debtors and cash and cash equivalents in the balance sheet. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

**Financial liabilities**

The Company initially recognises its financial liabilities at fair value and subsequently they are measured at amortised cost using the effective interest method.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the financial information in accordance with FRS 101 requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the year. The Directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by the Company's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions.

The estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

#### Critical accounting judgements in applying the entity's accounting policies

##### *Exceptional items*

During the course of the year the Company incurred expenditure that is not linked directly to the normal trading of the business. This is particularly the case when undergoing significant structural change as has been the case in recent years. In order to better explain the underlying performance of the business, management makes a judgement as to which costs should be included in exceptionals and disclosed separately.

#### Critical accounting estimates in applying the entity's accounting policies

##### *Investment carrying values*

In determining whether the carrying value of the investment in subsidiaries is recoverable, the Company considers the performance of the Group based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. The Group's trading performance remains sensitive to a number of key variables, including the sterling/US\$ exchange rate and parent reel pricing, which could have a significant effect (positive or negative) on the Group's cashflows and hence the carrying value of the investment.

### 4. Exceptional items

	2018 £'000	2017 £'000
Reorganisation and restructure	417	–
Professional fees relating to the AIM flotation	–	208
	417	208

### 5. Directors' emoluments

	2018 £'000	2017 £'000
Directors' fees	–	62
Short term employment benefits	919	649
Termination benefits	260	–
Post employment benefits	–	32
Share based payments	(196)	196
	983	939

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2017: nil). The aggregate amount of emoluments paid to the highest paid Director was £423,000 (2017: £305,000). The Company does not have any employees (2017: nil).

*Financial Statements***Notes to the Company Financial Information** *continued*

For the year ended 30 April 2018

**6. Investments in subsidiaries**

	Group undertakings £'000
<b>Cost</b>	
30 April 2017	41,437
Additions in the year	–
<b>30 April 2018</b>	<b>41,437</b>

The Company's subsidiary undertakings are shown in note 24 to the consolidated financial statements.

**7. Trade and other receivables**

	2018 £'000	2017 £'000
Prepayments and accrued income	10	10
Amounts owed by group undertakings	20,991	7,894
	21,001	7,904

Amounts owed by group undertakings and falling due within one year are unsecured, interest free and repayable on demand.

**8. Issued capital and reserves**

Called up, allotted and fully paid

	2018 £'000	2017 £'000
Ordinary shares of £0.001 each	129,012	93,012
	129,012	93,012

The number of ordinary shares in issue is set out below:

	Number	Number
Ordinary shares of £0.001 each	129,012,002	93,012,002

On 11 December 2017, 36,000,000 £0.001 ordinary shares were issued at a price of 50 pence per share.

Subsequent to the reporting date, on 1 June 2018, 53,333,334 £0.001 ordinary shares were issued and on 8 June 2018 a further 12,901,200 ordinary shares of £0.001 were issued.

Each holder of the £0.001 Ordinary Shares are entitled to vote at general meetings of the Company. Every holder of an Ordinary Share shall have one vote for each Ordinary Share held.

On 2 June 2016 warrants were issued to Zeus Capital Limited entitling the holder to subscribe for 2,790,361 shares at a price of £1 per share any time up to the 10th anniversary of the Company admission to the AIM market.

**9. Dividend payable**

The Company did not pay an interim dividend (2017: 2 pence per share, totalling £1,860,000).

The Directors do not propose to pay a final dividend (2017: 4 pence per share, totalling £3,720,000).

The total dividend for the year was therefore £nil (2017: £5,580,000).

**10. Dividend receivable**

Dividends received by the Company from its subsidiaries in the year was £nil (2017: £10,000,000).

## Company Information

### Directors

Daniel Wright (Executive Chairman)  
 Gareth Jenkins (Chief Executive Officer)  
 Steven Townsley (Chief Financial Officer)  
 Joanne Lake (Independent Non-Executive Director)  
 Euan Hamilton (Independent Non-Executive Director)

### Secretary

Richard Almond

### Registered office

Delta Building  
 Roman Road  
 Blackburn  
 Lancashire  
 BB1 2LD

### Registered number

09019496

### Share capital

The Ordinary share capital of Accrol Group Holdings Limited plc is listed on AIM, a market operated by London Stock Exchange plc. The shares are listed under the trading ticker ACRL. The ISIN number is GB00BZ6VT592 and SEDOL number is BZ6VT59.

### Registrars

Link Asset Services  
 The Registry  
 34 Beckenham Road  
 Beckenham  
 Kent  
 BR3 4TU

### Auditors

PricewaterhouseCoopers LLP  
 1 Hardman Square  
 Manchester  
 M3 3EB

### Nominated adviser and broker

Zeus Capital Limited  
 82 King Street  
 Manchester  
 M2 4WQ

41 Conduit Street  
 London  
 W1S 2YQ

### Solicitors

Addleshaw Goddard LLP  
 1 St Peters Square  
 Manchester  
 M2 3AB

