# ACCROL GROUP HOLDINGS PLC

## ADMISSION DOCUMENT

JUNE 2016


Zeus Capital

ACCROL PAPERS

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended).**

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 10 June 2016. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules published by London Stock Exchange plc, to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor London Stock Exchange plc has itself examined or approved the contents of this Document.**

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document, which describes certain risks associated with an investment in the Company. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an AIM admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute, or contain, an offer, or any part of an offer, to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been delivered to, or pre-approved, by the FCA pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital, 82 King Street, Manchester M2 4WQ and the registered office of the Company, Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD, from the date of this Document until one month from the date of Admission in accordance with the AIM Rules. A copy of this Document will also be available from the Company's website at www.accrol.co.uk.

The Directors and the Proposed Directors, whose names appear on page 9 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company, the Directors and the Proposed Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# Accrol Group Holdings plc

*(a company incorporated in England and Wales under the Companies Act 2006 with company number 9019496)*

## Placing of 43,328,144 Ordinary Shares at 100 pence per Ordinary Share
## Vendor Placing of 20,154,277 Ordinary Shares at 100 pence per Ordinary Share
## and
## Admission to trading on AIM

***Nominated Adviser and Broker***

Zeus Capital

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**Enlarged Ordinary Share Capital immediately following Admission**

| *Number* | *Issued and fully paid* | *Amount £* |
|---|---|---|
| 93,012,002 | ordinary shares of £0.001 each | 93,012 |

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The Placing and the Vendor Placing are conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 10 June 2016 (or such later date as the Company and Zeus Capital may agree, being not later than 10 July 2016). The Placing Shares and the Existing Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Ordinary Share Capital to be admitted to the Official List or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing, Vendor Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or Proposed Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

Without limiting the statutory rights of any person to whom this Document is issued, no representation or warranty, express or implied, is made by Zeus Capital as to the contents of this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on Zeus Capital by FSMA or the regulatory regime established thereunder, no liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this Document, for which the Directors and the Proposed Directors are solely responsible, or for the omission of any information from this Document for which it is not responsible.

In accordance with the AIM Rules for Nominated Advisers, Zeus Capital has confirmed to London Stock Exchange plc that it has satisfied itself that the Directors and the Proposed Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this Document or for the omissions of any material information, for which it is not responsible.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Placing Shares nor the Vendor Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Placing Shares and the Vendor Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital that would permit a public offer of shares in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

## IMPORTANT INFORMATION

In deciding whether or not to invest in Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Proposed Directors or Zeus Capital. Neither the delivery of this Document nor any subscription or purchase made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see "Part II: Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document or any subsequent communications from the Company as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the subscription, purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the subscription, purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the subscription, purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

This Document should be read in its entirety before making any investment in the Company.

### Forward looking statements

Certain statements contained in this Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' and the Proposed Directors' beliefs and assumptions made by the Directors and the Proposed Directors. Words such as "expects", "anticipates", "predicts", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "could", "assumes", "would", "pipeline", "envisages" (or, in each case, their negative) and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal, regulatory or taxation environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

**Presentation of financial information**

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The financial information in this Document has been prepared in accordance with the basis of preparation set out in note 2 of Section B of Part III (Historical Financial Information). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Document.

The Company's financial year runs from 1 May to 30 April. The financial information included in Part III (Historical Financial Information) and Part IV (Unaudited Pro Forma Statement of Net Assets) contains financial information on the 10 month period ended 29 February 2016 which has been prepared on the same basis as the information for the three financial years ended 30 April 2015. The historical financial information included in Section B of Part III (Historical Financial Information) has been prepared in accordance with the basis of preparation set out in note 2 of Section B of Part III (Historical Financial Information) and is covered by the Accountant's Report included therein, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

The Group has included certain measures that are not measures defined by IFRS or any other generally accepted accounting principles, including EBITDA and Adjusted EBITDA. The Group uses these measures to assess operating performance because it believes these are important supplemental measures of performance which are used when making decisions about the Group's activities. Furthermore, such measures are sometimes used by investors to evaluate the efficiency of a company's operations. There are no generally accepted principles governing the calculation of non-IFRS financial measures, and the criteria upon which they are based can vary from company to company. The Group defines these measures as follows:

(1) EBITDA: Profit before finance costs, tax, depreciation and amortisation, loss/gain on derivative financial instruments and exceptional items.

(2) Adjusted EBITDA: EBITDA adjusted for exceptional items and gains/(losses) on derivative financial instruments.

The non-IFRS financial measures included in this Admission Document do not alone provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating income or any other generally accepted measure as an indicator of operating performance. In addition, these measures should not be used instead of, or considered as alternatives to, the Group's historical financial results based on IFRS.

**No Incorporation of Website**

The contents of the Company's website (or any other website) do not form part of this Document and investors should not rely on them.

**General notice**

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company and Zeus Capital is prohibited.

**Governing law**

Unless otherwise stated, statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

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## KEY STATISTICS

| | |
|---|---|
| **Existing share capital at the date of this Document** | |
| Number of Existing Ordinary Shares | 49,683,858 |
| **Placing** | |
| Placing Price | 100p |
| Number of Placing Shares | 43,328,144 |
| Gross proceeds of the Placing | £43,328,144 |
| Net proceeds of the Placing (receivable by the Company) [1] | c.£41.4 million |
| **Vendor Placing** | |
| Placing Price | 100p |
| Number of Vendor Placing Shares | 20,154,277 |
| Gross proceeds of the Vendor Placing [2] | £20,154,277 |
| Net proceeds of the Vendor Placing (receivable by the Selling Shareholders) [3] | c.£18.2 million |
| **Upon Admission** | |
| Number of Ordinary Shares in issue at Admission | 93,012,002 |
| Percentage of Enlarged Ordinary Share Capital represented by the Placing Shares | 46.58% |
| Percentage of Enlarged Ordinary Share Capital represented by the Vendor Placing Shares | 21.67% |
| Estimated market capitalisation of the Company at Admission at the Placing Price | £93.0 million |
| TIDM | ACRL |
| ISIN | GB00BZ6VT592 |

*Notes:*

1. Costs of approximately £1.9 million will be paid by the Company in relation to the Proposals.
2. The Company will not receive any of the proceeds from any sale of Vendor Placing Shares by the Selling Shareholders.
3. Costs of approximately £1.9 million will be paid by the Selling Shareholders in relation to the Proposals.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | *2016* |
|---|---|
| Publication of this Document | 2 June |
| Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM | 10 June |
| CREST accounts credited (where applicable) | 10 June |
| Despatch of definitive share certificates (where applicable) by | 27 June |

*Notes:*

1. References to time in this Document are to London (GMT) time unless otherwise stated.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

## DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors:** | Peter Cheung *(Executive Chairman)*<br>James Paul Maurice Flude *(Chief Financial Officer)* |
| **Proposed Directors:** | Stephen Roy Crossley *(Chief Executive Officer)*<br>Joanne Carolyn Lake *(Independent Non-Executive Director)*<br>Stephen Hammett *(Independent Non-Executive Director)*<br><br>All of whose business address is Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD |
| **Registered Office:** | Delta Building<br>Roman Road<br>Blackburn<br>Lancashire<br>BB1 2LD |
| **Company Secretary:** | Richard Douglas Almond |
| **Company website:** | www.accrol.co.uk |
| **Nominated Adviser and Broker:** | **Zeus Capital Limited**<br>82 King Street, Manchester, M2 4WQ and 41 Conduit Street, London, W1S 2YQ |
| **Auditors and Reporting Accountants:** | **PricewaterhouseCoopers LLP**<br>101 Barbirolli Square<br>Lower Mosley Street<br>Manchester<br>M2 3PW |
| **Solicitors to the Company:** | **Addleshaw Goddard LLP**<br>100 Barbirolli Square<br>Manchester<br>M2 3AB |
| **Solicitors to Zeus Capital:** | **DWF LLP**<br>1 Scott Place<br>2 Hardman Street<br>Manchester<br>M3 3AA |
| **Financial PR:** | **Camarco**<br>107 Cheapside<br>London<br>EC2V 6DN |
| **Company Registrars:** | **Capita Asset Services**<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |
| **Principal Bankers:** | **HSBC**<br>2nd Floor<br>4 Hardman Square<br>Spinningfields<br>Manchester<br>M3 3EB |

## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III of this Document, for the purposes of that part only:

| | |
|---|---|
| "Accrol" | the Company or, as the context permits, its subsidiaries and predecessors in title forming part of the Group and operating the business of the Group |
| "Accrol Holdings" | Accrol Holdings Limited, a private limited company incorporated in England and Wales with registered number 7037097 and registered office at Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD |
| "Accrol Papers" | Accrol Papers Limited, a private limited company incorporated in England and Wales with registered number 3639930 and registered office at Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD |
| "Accrol UK" | Accrol UK Limited, a private limited company incorporated in England and Wales with registered number 9010320 and registered office at Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD |
| "Act" | the Companies Act 2006 (as amended) |
| "Admission" | admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules |
| "Admission Document" or "Document" | this document dated 2 June 2016 |
| "AIM" | the market of that name operated by the London Stock Exchange |
| "AIM Rules" | the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM |
| "AIM Rules for Nominated Advisers" | the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time |
| "Articles" | the articles of association of the Company, as at the date of Admission, a summary of which is set out in paragraph 5 of Part V of this Document |
| "Audit Committee" | the audit committee of the Board, as constituted from time to time |
| "Away From Home" or "AFH" | a market segment of products used outside a consumer's home, for example in service stations and restaurants |
| "Board" | the board of directors of the Company from time to time, or a duly constituted committee thereof |
| "Centrefeeds" | large tissue rolls, typically utilised in the AFH market |

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| "certificated" or "in certificated form" | recorded on the relevant register of the share or security concerned as being held in certificated form in physical paper (that is not in CREST) |
| "Company" | Accrol Group Holdings plc, a public limited company incorporated in England and Wales with registered number 9019496 and registered office at Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD |
| "CREST" | the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland in accordance with the CREST Regulations |
| "CREST Regulations" | the Uncertificated Securities Regulations 2001 (SI 2001/3755), including (i) any enactment or subordinate legislation which amends those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force |
| "Dealing Day" | a day on which the London Stock Exchange is open for the transaction of business |
| "Deferred Shares" | deferred shares of £0.001 each in the capital of the Company |
| "Directors" | the directors of the Company as at the date of this Document, whose details are set out on page 9 of this Document |
| "Discounters" | retailers operating in the discount market sector, including for example Aldi, B&M, Home Bargains and Poundland |
| "Enlarged Ordinary Share Capital" | the Ordinary Shares in issue immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the Placing Shares |
| "EU" | European Union |
| "Euroclear UK & Ireland" | Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST |
| "Existing Ordinary Shares" | the 49,683,858 Ordinary Shares in issue as at the date of this Document (which include the Vendor Placing Shares) |
| "Factoring Facility" | a £20.0 million revolving credit facility to provide factoring financing for general working capital requirements, details of which are included in paragraph 12 of Part V of this Document. |
| "FCA" | the Financial Conduct Authority |
| "FMCG" | fast moving consumer goods |
| "FSMA" | the Financial Services and Markets Act 2000 (as amended) |
| "FYXX" | the financial year ended 30 April 20XX |
| "Group" or "Accrol Group" | the Company and its subsidiary undertakings and "Group Company" shall be construed accordingly |
| "HMRC" | HM Revenue and Customs |

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| "Hussain Relationship Agreement" | the relationship agreement dated 2 June 2016 between the Company, Majid Hussain, Wajid Hussain and Mozam Hussain, details of which are contained in paragraph 12 of Part V of this Document |
| "IFRS" | the International Financial Reporting Standards as adopted by the European Union |
| "Independents" | local retailers and wholesalers |
| "ITEPA" | Income Tax (Earnings and Pensions) Act 2003 |
| "London Stock Exchange" | London Stock Exchange plc |
| "Long Stop Date" | the date falling seven years from the date of award of shares under the MIP |
| "MIP" | the Accrol Group Management Incentive Plan under which shares in Accrol UK will be issued to the Company's senior management team |
| "Multiples" | the UK's largest grocers, including the "big four": Tesco, ASDA, Morrisons and Sainsbury's |
| "Nomination Committee" | the nomination committee of the Board, as constituted from time to time |
| "NorthEdge Capital" | NorthEdge Capital LLP, a limited liability partnership with registered number OC345118 and with registered office at 6th Floor, Vantage Point, Hardman Street, Manchester M3 3HF |
| "NorthEdge Relationship Agreement" | the relationship agreement dated 2 June 2016 between the Company and NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP, details of which are contained in paragraph 12 of Part V of this Document |
| "Official List" | the official list maintained by the UK Listing Authority |
| "Ordinary Shares" | ordinary shares of £0.001 each in the capital of the Company |
| "Panel" | the Panel on Takeovers and Mergers |
| "Parent Reel" | large tissue reels, which are Accrol's raw materials, typically weighing between 1 and 1.5 tonnes |
| "Placees" | the subscribers for Placing Shares and purchasers of Vendor Placing Shares pursuant to the Placing and Vendor Placing, respectively |
| "Placing" | the conditional placing of the Placing Shares by Zeus Capital as agent for the Company, pursuant to the Placing Agreement |
| "Placing Agreement" | the placing agreement dated 2 June 2016 between the Company, the Directors, the Proposed Directors, Zeus Capital and the Selling Shareholders relating to the Placing and the Vendor Placing, further details of which are contained in paragraph 12 of Part V of this Document |
| "Placing Price" | 100 pence per Placing Share and Vendor Placing Share |

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| "Placing Shares" | the 43,328,144 new Ordinary Shares to be issued and allotted pursuant to the Placing, such allotment being conditional upon Admission |
| "Private Label" | goods produced under a customer's own brand or under a non-branded or less well-known brand name |
| "Proposals" | the Placing, the Vendor Placing and Admission |
| "Proposed Directors" | Stephen Roy Crossley, Joanne Carolyn Lake and Stephen Hammett, whose details are set out on page 9 of this Document |
| "Prospectus Directive" | EU Prospectus Directive 2003/71/EC, as amended |
| "Prospectus Rules" | the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA |
| "RC Consent" | the written consent of the Remuneration Committee |
| "QCA" | the Quoted Companies Alliance |
| "QCA Corporate Governance Code" | the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance |
| "RCF" | the revolving credit facility provided to the Group by HSBC plc, further details of which are contained in paragraph 12 of Part V of this Document |
| "Recognised Growth Market" | a market recognised as such by HMRC and included on the list of Recognised Growth Markets maintained and published on the HMRC website |
| "Recognised Stock Exchange" | any market of a recognised investment exchange as defined by section 285 of FSMA |
| "Registrars" | the Company's registrars, being Capita Asset Services |
| "Relationship Agreements" | the Hussain Relationship Agreement and the NorthEdge Relationship Agreement |
| "Remuneration Committee" | the remuneration committee of the Board, as constituted from time to time |
| "Republic of Ireland" | the island of Ireland excluding Northern Ireland |
| "Retailer(s)" | Multiples, Discounters and other retailers including Independents |
| "RIS" | Regulatory Information Service |
| "Selling Shareholders" | the sellers of the Vendor Placing Shares being Majid Hussain, Wajid Hussain, Mozam Hussain, Peter Cheung, James Flude, Gary Earle, Colin Platt, John Flanagan, NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP |
| "Shareholder(s)" | holder(s) of Ordinary Shares |
| "TAD" | through air dried tissue. A variety of tissue available for conversion into tissue products |
| "Takeover Code" | the City Code on Takeovers and Mergers |

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| "UK" or "United Kingdom" | the United Kingdom of Great Britain and Northern Ireland |
| "UK Listing Authority" | the FCA, acting in its capacity as the competent authority for the purposes of FSMA |
| "uncertificated" or "uncertificated form" | recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| "US" | the United States of America and all of its territories and possessions |
| "VAT" | value added tax |
| "Vendor Placing" | the conditional placing of the Vendor Placing Shares by Zeus Capital as agent for the Selling Shareholders, pursuant to the Placing Agreement |
| "Vendor Placing Shares" | the 20,154,277 Existing Ordinary Shares to be conditionally placed pursuant to the Vendor Placing |
| "Vesting Period" | the period of three years from the date of award of shares under the MIP |
| "Warrant Instrument" | the proposed warrant instrument of the Company, further details of which are set out in paragraph 12 of Part V of this Document |
| "Zeus Capital" | Zeus Capital Limited, a company incorporated in England & Wales with registered number 4417845 and registered office at 82 King Street, Manchester M2 4WQ |
| "Zeus Warrant" | the right for Zeus Capital to subscribe for Ordinary Shares pursuant to the terms of the Warrant Instrument |
| "£" or "Sterling" | British pounds sterling |

## EXECUTIVE SUMMARY

**The following information is derived from, and should be read in conjunction with, the whole of this Document including, in particular, the section headed Risk Factors relating to the Company in Part II of this Document. Shareholders should read the whole of this Document and not rely on this Executive Summary section.**

### INTRODUCTION

Accrol is a leading independent tissue converter, manufacturing toilet rolls, kitchen rolls, facial tissues and AFH products to supply Retailers throughout the UK. Accrol imports Parent Reels from around the world and converts them into finished goods at the Company's 350,000 sq. ft. manufacturing, storage and distribution facility in Blackburn, Lancashire. Accrol currently manufactures approximately 17 million units per week and supplies some of the UK's largest Retailers.

Accrol started converting operations in 1993 with a 5,000 sq. ft. site in Accrington, Lancashire. Since then the Company has grown to become the leading supplier of tissue products to the UK discount market, with 35 per cent. market share of the discount market and 7 per cent. of the overall UK tissue market. The Company's exposure to Discounters has driven continuous financial growth over the last seven years. The discount market remains the fastest growing market segment, growing at 10 per cent. per annum.

The Directors and the Proposed Directors are seeking to grow the business through continued exposure to Discounters and by securing further orders with Multiples. The Directors and the Proposed Directors believe that Admission will provide the business with an increased reputation and profile and the ability to incentivise key employees, as well as providing a platform for the Group to execute its strategy.

### INFORMATION ON ACCROL

Accrol manufactures toilet rolls, kitchen rolls and facial tissues as well as AFH products from its site in Blackburn, supplying a range of Independents, Discounters and Multiples as well as a variety of AFH customers. The Group uses a converting process to manufacture and is able to provide both Accrol branded and Private Label products simultaneously.

The Group's competitive advantage lies in its market positioning, operational process and flexibility. Key components of the business model are:

- **Production process** – The Directors and the Proposed Directors believe the Group obtains a competitive advantage through its model of acquiring and converting Parent Reels as opposed to manufacturing Parent Reels from pulp and recycled fibre and subsequently converting.
- **Technology and converting lines** – Accrol has invested over £15 million in the three financial years ended 30 April 2015, adding five new converting lines in the same time frame and increasing capacity to 118,000 tonnes per annum. Additional capacity of c.25,000 tonnes per annum has recently been obtained with the purchase of two new machines, however these are yet to be installed.
- **Manufacturing Private Label products** – The majority of Accrol's products (71 per cent. of revenues in the year ended 30 April 2015) are Private Label and whilst the Group also develops and supplies branded products, the ability to supply customers with goods under its own brand has allowed penetration into Discounters and Multiples. Accrol can launch a new Private Label product within six weeks of instruction from a retailer.
- **Production flexibility** – Accrol is able to manufacture toilet rolls, kitchen rolls, facial tissue and AFH products, providing a "one-stop shop" solution for customers in the tissue market.
- **Macro-economic impact on raw material prices** – There is currently a global over-supply of both pulp and Parent Reels, with additional capacity forecast to be brought on stream through to 2019. As such, Parent Reel prices are currently relatively low and are expected to remain so for the foreseeable future. Low Parent Reel prices allow Accrol to manufacture at a lower cost, enhancing margin and providing pricing flexibility to win new orders. Overcapacity drives increased flexibility of supply and provides Accrol with a choice of pricing and technology when sourcing Parent Reels.

- **Market positioning** – Having won a number of contracts with Discounters in recent years and benefitting from the organic growth within this market, the Directors and the Proposed Directors believe Accrol is well positioned to take advantage of the wider consumer market shift towards Discounters' and Multiples' increased focus on Private Label products.

## STRATEGY

The Directors and the Proposed Directors have identified key areas of operation to focus on improving the Group's performance going forward and, in addition to these key areas, will consider complementary acquisitions.

### *Organic Growth through Discounters*

The discount market is growing at 10 per cent. per annum and represents the fastest growing retail sector within the UK tissue market. Accrol has a 35 per cent. market share of the discount market and the Directors and the Proposed Directors believe the Company will benefit from continued growth in the sector, providing Accrol's quality and cost standards can be maintained, which is a key focus for the Group.

### *Increasing market share through Multiples*

The Directors and the Proposed Directors intend to leverage Accrol's ability to supply products across the toilet, kitchen and facial tissue product groups to increase orders and win new contracts with some of the UK's largest retailers.

Multiples are expected to increase Private Label offerings in response to growth in the discount sector and Accrol is well positioned to provide Private Label products, being the Group's focus over the last 7 years, having contributed 71 per cent. of revenues in the year ended 30 April 2015.

The Group can manufacture new Private Label offerings within six weeks of customer instruction and the Directors and the Proposed Directors believe this flexibility ensures the Group is well positioned to grow market share with Multiples.

### *Operational improvements and capacity utilisation*

The Directors and the Proposed Directors believe there is scope to increase the efficiency of the current converting process through incremental changes to production line management and techniques, as well as running additional capacity through some of the newest machinery.

Capacity was c. 75 per cent. utilised on an annualised basis as at 29 February 2016 and since then the Group has acquired two additional converting lines, providing an additional c. 25,000 tonnes of capacity. Once installed, total available capacity will be 143,000 tonnes, which on an annualised basis, as at the 29 February 2016 run-rate, equates to c. 62 per cent. utilised capacity. Accrol will therefore have excess capacity in order to service any new orders with immediate effect.

## PLACING AND VENDOR PLACING

### *The Placing*

The Company is proposing to raise a total of approximately £43.3 million by way of a conditional placing by the Company of the Placing Shares, at the Placing Price.

The Placing Shares will represent approximately 46.6 per cent. of the Enlarged Ordinary Share Capital at Admission.

### *The Vendor Placing*

The Selling Shareholders have indicated a desire to realise a proportion of their investment in the Company. Under the Vendor Placing, the Selling Shareholders have agreed to sell 20,154,277 Vendor Placing Shares at the Placing Price and these shall be placed with investors by Zeus Capital.

The Vendor Placing Shares will represent approximately 21.7 per cent. of the Enlarged Ordinary Share Capital at Admission. The Company will not receive any proceeds from the sale of the Vendor Placing Shares.

Costs associated with the Proposals, which are estimated to be approximately £3.8 million, will be met as to approximately:

- £1.9 million by the Company; and
- £1.9 million by the Selling Shareholders.

**DIRECTORS**

On Admission, the members of the Board and their positions will be:

**Peter Cheung** (*Executive Chairman*, aged 56)

Peter has a strong financial and operational background having accumulated over 30 years' international experience in blue chip manufacturing, FMCG and retail environments, with c. 20 years as a main board director.

Peter has worked alongside private equity firms since 1997 and served on the board of AM Paper (SCA Soft Tissue) as Corporate Development Director, TMD Friction as Chief Financial Officer, Jemella Group (ghd) as Chief Operating Officer and Chairman of the Operating Board. He is a qualified CIMA accountant.

Peter was appointed Chairman of Accrol in November 2014. He has over 10 years' experience in the soft tissue industry, including 8 years with Georgia Pacific.

**Stephen Roy Crossley (Steve)** (*Proposed Chief Executive Officer*, aged 58)

Steve has over 30 years' experience in UK food manufacturing and distribution at senior management or board level, including at Unigate plc and Northern Foods plc where Steve held various positions, including as Operating Board Director and Divisional Managing Director of Chilled Foods.

Most recently, from September 2014 until May 2016, Steve was Chief Executive Officer at Bright Blue Foods, where he helped restructure, transition and re-finance the Company with a new investor. Steve has also had roles as Group Executive Board Director of Samworth Brothers (November 2010 to August 2014) and Managing Director of Grampian Country Pork (September 2006 to September 2008).

In addition, Steve has experience working with venture capitalists and banks to raise capital for investment in new business ventures.

Steve will be appointed to the Board on Admission.

**James Paul Maurice Flude** (*Chief Financial Officer*, aged 41)

James joined Accrol as Chief Financial Officer in January 2015 and is responsible for the Group's finance function. He has over 13 years of industry experience in finance roles gained in blue chip and private equity backed businesses. This included two years at Northern Foods plc in internal audit and financial reporting and six years at ghd in a number of senior roles. Whilst at ghd, James was key in delivering the first private equity buyout with Lloyds Development Capital in July 2006 and the second buyout with Montagu Private Equity in July 2007.

James qualified as a Chartered Accountant with Arthur Andersen and holds a BSC Hons in Pure Mathematics from Birmingham University and a PhD in Mathematical Physics from the University of Nottingham.

**Joanne Carolyn Lake** (*Proposed Independent Non-Executive Director*, aged 52)

Joanne has over 30 years' experience in accountancy and investment banking primarily with Panmure Gordon, Evolution Securities, Williams de Broë and Price Waterhouse. She is Deputy Chairman of AIM quoted Mattioli Woods plc and Main Market listed Henry Boot PLC and is also a non-executive director of AIM quoted Gateley (Holdings) Plc and Morses Club PLC.

Joanne will be appointed to the Board on Admission.

**Stephen Hammett (Steve)** (*Proposed Independent Non-Executive Director*, aged 57)

Steve has over 25 years' experience with Tesco plc both in the UK as well as internationally. He has held various CEO roles with Tesco in Turkey, Thailand, Czech Republic and Slovakia.

More recently, Steve was the President of Al Futtaim Private, and responsible for the growth of its retail brands, through c.400 stores in nine Middle East and North Africa markets. Steve currently holds a position on the Food Board of the Co-operative Group in the role of interim customer director, responsible for c.3,000 stores.

Steve will be appointed to the Board on Admission.

## DIVIDEND POLICY

The Directors' intend to implement a progressive dividend policy, subject to the discretion of the Board and subject to the Company having distributable reserves. It is the Directors' intention to pay both an interim dividend and a final dividend in respect of the financial year ending 30 April 2017 which, in total, is expected to equate to a 6 per cent. dividend yield, calculated on the Placing Price.

The Director's intention is to pay one third of the dividend following the publication of the Company's interim accounts with the balance being paid following the year end. The Company, as a holding company, will be dependent on dividends paid to it by its subsidiaries to facilitate payment of dividends.

## RISK FACTORS

Investors should note the risks associated with an investment in the Company as set out in Part II of this Document.

## PART I

## INFORMATION ON THE GROUP

# Accrol Group Holdings plc

### 1. INTRODUCTION

Accrol is a leading independent tissue converter, manufacturing toilet rolls, kitchen rolls, facial tissues and AFH products to supply Retailers throughout the UK. Accrol imports Parent Reels from around the world and converts them into finished goods at the Company's 350,000 sq. ft. manufacturing, storage and distribution facility in Blackburn, Lancashire. Accrol currently manufactures approximately 17 million units per week and supplies some of the UK's largest Retailers.

Accrol started converting operations in 1993 with a 5,000 sq. ft. site in Accrington, Lancashire. Since then the Company has grown to become the leading supplier of tissue products to the UK discount market, with 35 per cent. market share of the discount market and 7 per cent. of the overall UK tissue market. The Company's exposure to Discounters has driven continuous financial growth over the last seven years. The discount market remains the fastest growing market segment, growing at 10 per cent. per annum.

The Directors and the Proposed Directors are seeking to grow the business through continued exposure to Discounters and by securing further orders with Multiples. The Directors and the Proposed Directors believe that Admission will provide the business with an increased reputation and profile and the ability to incentivise key employees, as well as providing a platform for the Group to execute its strategy.

The Placing will result in the issue of 43,328,144 Placing Shares, raising approximately £43.3 million, all of which will be used to settle existing debt within the Group and to pay the Company's costs in connection with the Proposals of approximately £1.9 million. In addition, the Selling Shareholders propose to sell 20,154,277 Ordinary Shares under the Vendor Placing. Further details of the Placing and the Vendor Placing are set out in paragraph 10 of this Part I.

### 2. HISTORY AND BACKGROUND

Accrol was established by Jawid Hussain and his wife in 1993, and was initially focused on supplying tissue products to Independents. In 2008, Majid Hussain, son of Jawid Hussain, joined the business and in 2009 subsequently completed a management buyout along with brothers Wajid Hussain and Mozam Hussain in order to drive the Company's development. Following these appointments and during the global financial crisis, the decision was taken to focus on the UK discount market and align production with Discounters' requirements. The Company increased capacity to enable it to secure and meet demand generated from a number of contract wins with Discounters.

In order to compete in the discount market, management focused on cost-efficient manufacturing, whilst maintaining a high quality product offering. Accrol has consistently refined its sourcing and conversion process to maintain a cost/quality advantage. As a result the Directors and the Proposed Directors believe that Accrol's products are comparable in quality to the market leading brands and, crucially, can be produced at a lower cost.

In 2014, the Hussain family brought in NorthEdge Capital as a partner to support growth. Following success in winning contracts and growing existing contracts with Discounters, management leveraged the Group's position to gain traction with Multiples. This coincided with Multiples shifting towards the provision of Private Label tissue products in response to competition from the Discounters.

Accrol has won contracts with a number of Multiples over the last three years and the Directors and the Proposed Directors are now seeking to further enhance penetration in this market and increase the annual order book with existing customers. The Directors and the Proposed Directors are also seeking to drive growth through maintaining and increasing orders with Discounters.

***Site development and capacity***

The Company has sought to increase manufacturing capacity ahead of growth throughout its development and this is reflected in 15 converting lines having been installed from 2004 to February 2016, with a combined maximum production capacity of approximately 118,000 tonnes per annum. The Company has recently purchased two additional converting lines, with c.25,000 tonnes per annum capacity, taking total capacity to c.143,000 tonnes per annum. These two additional converting lines have yet to be installed. Figure 1 shows the evolution of capacity through investment in new machinery and a subsequent growth in sales following investment.

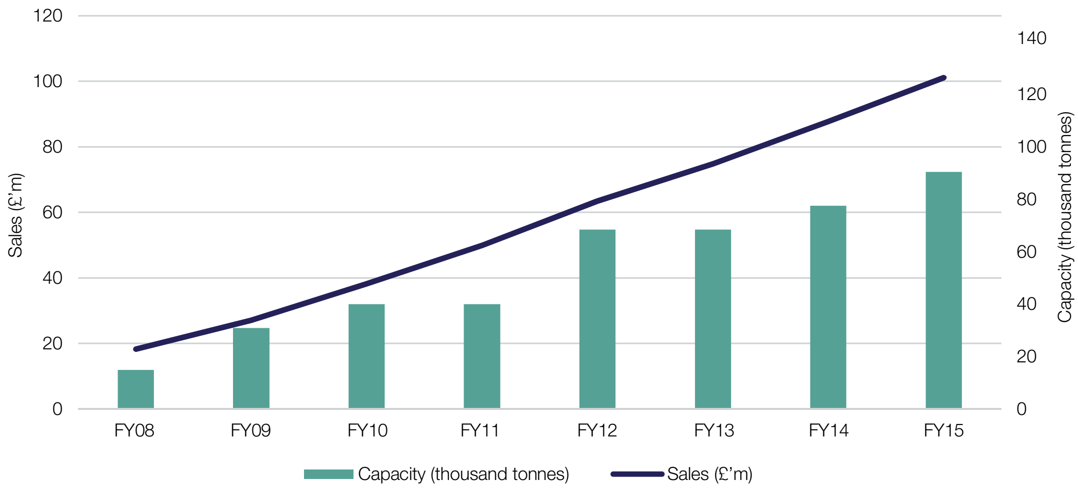


*Figure 1: Capacity and sales growth FY08 – FY15*

## 3. BUSINESS OVERVIEW

Accrol manufactures toilet rolls, kitchen rolls and facial tissues as well as AFH products from its site in Blackburn, supplying a range of Independents, Discounters and Multiples as well as a variety of AFH customers. The Group uses a converting process to manufacture and is able to provide both Accrol branded and Private Label products simultaneously.

The Group's competitive advantage lies in its market positioning, operational process and flexibility. Key components of the business model are:

- **Production process** – The Directors and the Proposed Directors believe the Group obtains a competitive advantage through its model of acquiring and converting Parent Reels as opposed to manufacturing Parent Reels from pulp and recycled fibre and subsequently converting. This requires a lower fixed overhead and provides flexibility in Parent Reel sourcing which allows the Group to take advantage of favourable pricing opportunities and production technology advancements.
- **Technology and converting lines** – Accrol has committed capital expenditure of c.£18.2 million in the last three years. The Group currently has 15 converting lines in operation providing capacity of approximately 118,000 tonnes per annum. Additional capacity of c.25,000 tonnes per annum has recently been obtained with the purchase of two new machines, however these are yet to be installed. The Group's operating machinery allows conversion of a wide variety of tissue grades, adding flexibility to the Parent Reel sourcing process and allowing manufacture of a wide range of product types.
- **Manufacturing Private Label products** – The majority of Accrol's products (71 per cent. of revenues in the year ended 30 April 2015) are Private Label and whilst the Group also develops and supplies branded products, the ability to supply customers with goods under its own brand has allowed penetration into Discounters and Multiples. Accrol can launch a new Private Label product within six weeks of instruction from a Retailer.
- **Production flexibility** – Accrol is able to manufacture toilet rolls, kitchen rolls, facial tissue and AFH products, providing a "one-stop shop" solution for customers in the tissue market. The ability to produce these goods and supply Multiples, Discounters, Independents and the AFH market is a competitive advantage and the Directors and the Proposed Directors do not believe any competitors can offer the same flexibility across all of these market channels.

- **Macro-economic impact on raw material prices** – There is currently a global over-supply of both pulp and Parent Reels, with additional capacity forecast to be brought on stream through to 2019. As such, Parent Reel prices are currently relatively low and are expected to remain so for the foreseeable future. Low Parent Reel prices allow Accrol to manufacture at a lower cost, enhancing margin and providing pricing flexibility to win new orders. Overcapacity drives increased flexibility of supply and provides Accrol with a choice of pricing and technology when sourcing Parent Reels.
- **Market positioning** – Having won a number of contracts with Discounters in recent years and benefitting from the organic growth within this market, the Directors and the Proposed Directors believe Accrol is well positioned to take advantage of the wider consumer market shift towards Discounters' and Multiples' increased focus on Private Label products.

***Process overview***

Accrol's production process consists of four key stages:

(1) *Parent Reel import*

Accrol purchases Parent Reels from suppliers around the world, selectively choosing suppliers offering the best pricing and quality and taking advantage of favourable global exchange rates. The Group sources from a range of UK and overseas suppliers and is the largest independent importer of Parent Reels into the UK, accounting for 23 per cent. of all imports in 2015.

Parent Reel logistics are managed through a third party organisation, which is responsible for liaising with the mills to arrange collection and manage shipping, ports, warehousing and haulage. Accrol currently has access to c.8,000 tonnes of storage for Parent Reels, 2,500 tonnes of which is on site.

(2) *Conversion*

Figure 2 below provides an overview of the typical conversion process which operates on one of the 15 converting lines. Newer machines typically require less manual input than the older equivalents, with manual labour required to load each Parent Reel onto the line and to palletise products as they leave the production line.

Converting facilities run on 12 hour shifts (operational 24 hours a day, 7 days a week, 365 days per year) and as at April 2016, Accrol has a total workforce of 465.

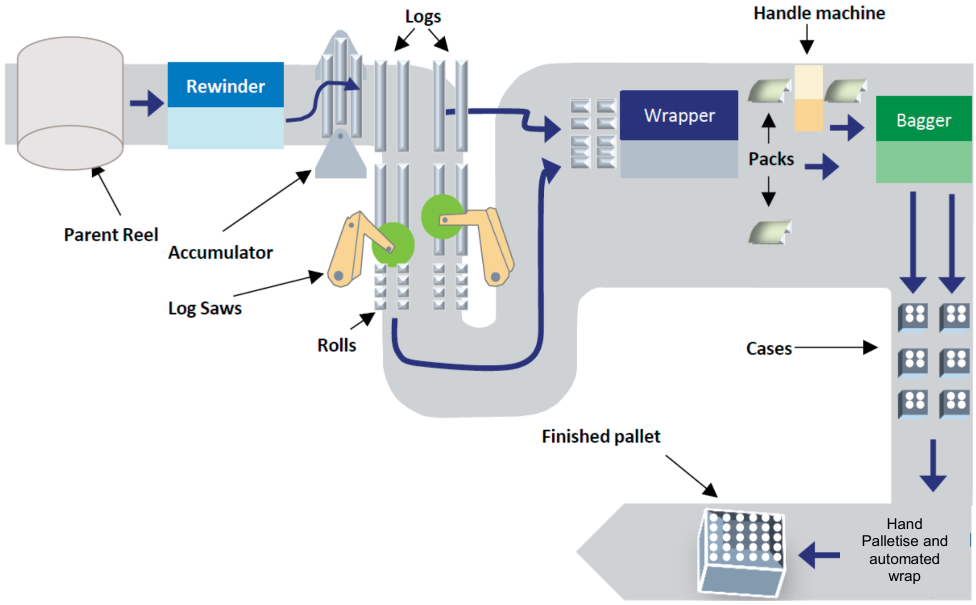


*Figure 2: Overview of the conversion process*

(3) *Storage*

Accrol currently has four warehouses providing 3,500 tonnes of storage for finished goods, allowing for at least two weeks supply, a key criteria for certain Multiples.

(4) *Delivery*

Finished products are distributed to customers directly from Blackburn, using a range of local third party logistics companies.

***Product range***

Accrol supplies toilet rolls, kitchen rolls and facial tissues and a range of AFH products to UK customers. Figure 3 shows the contribution of each of these product streams to the Group's revenue, with the majority of sales deriving from toilet tissue and kitchen towels.

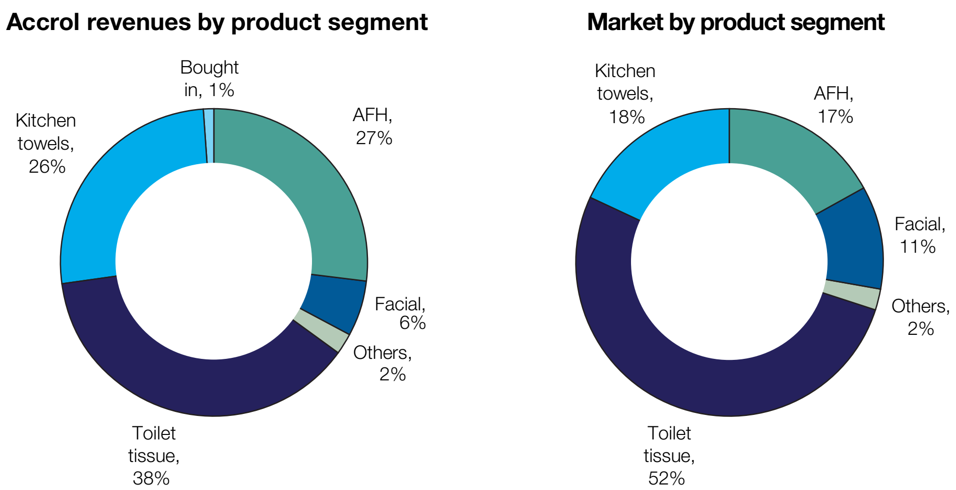


*Figure 3: Accrol revenues by product segment for the year ended 30 April 2015 and tissue market breakdown.*

The current product range allows management to market Accrol as a "one stop shop" provider of tissue products. The Group's ability to supply across all of the toilet, kitchen and facial tissue products to Multiples, Discounters, Independents and AFH customers, provides Accrol with a competitive advantage and the Directors and the Proposed Directors do not believe any other competitors are able to offer the same flexibility across all of these market channels.

Toilet tissue products include two and three ply ranges in a collection of colours, widths, lengths and finishing textures. The converting process adds value to the product, with the finish ultimately determining the quality (economy, luxury or premium) and this is achieved through a number of methods, examples of which include embossing, quilting, scenting the paper and using a combination of different levels of thickness and softness of paper. Finished goods are provided in a variety of pack formats, containing between two and 32 units.

Kitchen rolls are predominantly manufactured in a two ply range, though a more absorbent three ply variety is also available. Typically these are embossed and can be finished in two colour designs, with packs containing between one and 16 rolls.

Facial tissues are the newest part of the Group's product offering, with the two facial converting lines having been installed in 2013. Products are available in a variety of sizes and multi-packs containing two to four skillets wrapped together. Accrol is able to add aloe vera or balm lotion to up-sell as luxury or premium products.

Figure 4 shows a suite of current products included within the toilet, kitchen and facial tissue product ranges.


*Figure 4: Current product offerings and customers in the toilet, kitchen and facial tissue market segments*

The AFH portfolio consists of a variety of different products, sold across multiple industries. Around half of sales within this category derive from Centrefeeds supplied with other products including napkins, hygiene rolls and domestic products for dispensing.

Other sales relate to the follow-on sale of Parent Reels and ancillary products. Bought in products are those purchased from other tissue suppliers and sold on.

### *Market segment and pricing*

Accrol manufactures across the quality spectrum, offering goods in the following market segments:

- **economy** – lowest price point and can include recycled fibre;
- **luxury** – mid range and largest market section with products typically being of a higher quality than the economy range; and
- **premium** – top end, often including additional features, for example scented, moistened and quilted products.

The luxury and premium market segments are expected to grow faster than economy as consumers are trading up to higher quality products.

The Directors and the Proposed Directors believe the Accrol converting process allows manufacture of the Group's product range at a lower price point than competitors, without losing quality compared to the market leading brands. Figure 5 shows a sample of Accrol products offered against leading brands, with Accrol's equivalent offering being on average 40 per cent. cheaper than its competitors.

| | Competitor product | | Accrol product | | Discount |
|---|---|---|---|---|---|
| Toilet tissue | Andrex Quilts (4) (Sainsbury's) | £2.25 | Saxon Aloe Vera (4) (Aldi) | £1.49 | 34% |
| Kitchen roll | Regina Blitz (1) (Wilkinsons) | £2.45 | Wilko Ultra (1) (Wilkinsons) | £1.50 | 39% |
| Facial tissues | Kleenex Mansize (100) (ASDA) | £1.50 | Softy large tissues (100) (Aldi) | £0.79 | 47% |

*Figure 5: Accrol product pricings compared to leading competitor brands*

### *Product development*

Discounters have recently taken market share from Multiples and are expected to continue to take market share from branded products. Closing the perceived differential in product quality between Private Label and branded products has been a key factor in this market shift and Private Label products are expected to continue to increase market share at the expense of branded products.

Accrol is able to manufacture Private Label equivalents within six weeks of major launch and has a track record of product development and innovation through the following approaches:

- **Responding to market opportunities**. The Directors and the Proposed Directors believe the Group has taken full advantage of the consumer shift towards Discounters and this has been achieved through developing low cost products whilst maintaining quality levels.
- **Developing existing products more cost efficiently**. Of Accrol's 15 converting lines, over 60 per cent. of the lines are less than five years old. The Directors and the Proposed Directors believe this investment has incrementally reduced Accrol's operating cost per unit to a market leading position.
- **Developing Accrol branded products to compete with leading brands**. Accrol branded products accounted for 29 per cent. of sales in the year ended 30 April 2015 and the Group constantly assesses the market for gaps in range and price point to identify, develop and launch new products.
- **Acquiring new machinery to convert multiple variations of input tissue**. The Group is able to convert all major types of tissue available in Parent Reel form. This allows flexibility of supply through sourcing certain tissue types depending on cost and also enhances the range of products available for manufacture.

### *Customers*

Accrol has approximately 450 active customers, with 10 key accounts representing £69 million of revenue in the year ended 30 April 2015. A number of these customers commenced trade with Accrol over five years ago. Sales attributable to the Group's top 10 customers have risen each year since then.

The Group's top 10 customers comprise of eight Discounters and two Multiples. Accrol provides a range of toilet, kitchen and facial tissue products to each of these customers and has had a relationship with the majority of those customers for over five years.

Discounters represent the majority of the Group's customers following the decision in 2008 to focus strategy on the discount market. Growing these accounts remains a key priority of the Board. In addition, the Directors and the Proposed Directors intend to leverage historic success to grow contracts with Multiples and increase market share.

## 4. COMPETITIVE POSITIONING AND MARKET ENVIRONMENT

The UK tissue market is worth £1.5 billion (at manufacturers' selling price) per annum and is growing at approximately 1 per cent. per annum by value, driven primarily by macro-economic factors such as population growth, unemployment and consumer affluence. Accrol represents 7 per cent. of the UK tissue market share by revenue and is the fifth largest operator by capacity.

As shown in figure 6, the discount market represents 14 per cent. of the overall UK tissue market and is the fastest growing sector at 10 per cent. per annum. Management's decision in 2008 to focus on the discount market has driven contract wins in the sector and has led to Accrol becoming the market leader, holding 35 per cent. market share of the discount market.

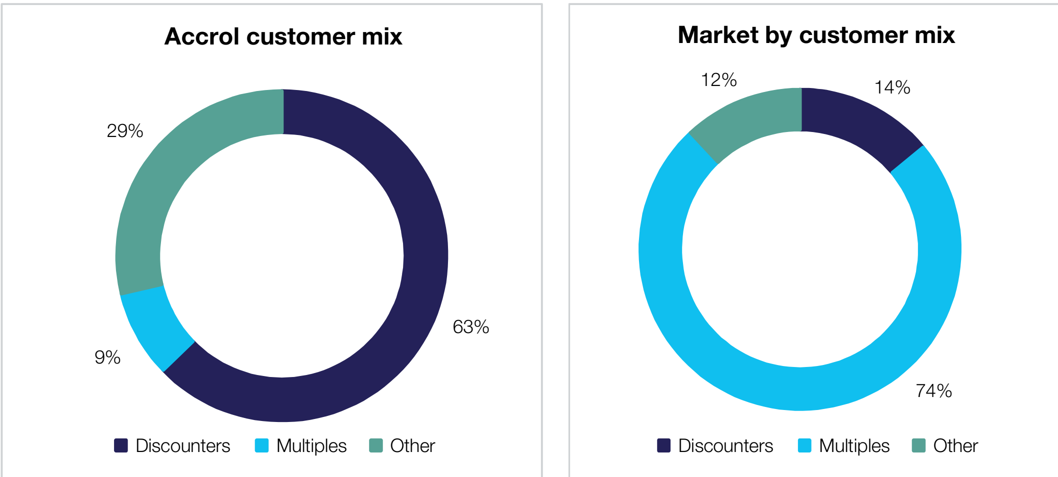


*Figure 6: Accrol revenues by customer for the year ended 30 April 2015 and the UK tissue market by customer mix*

Changes in consumer attitudes towards Discounters have driven the rise in their market share in the overall grocery sector in the last five years, at the expense of the big four Multiples, all of which have lost revenues directly to Discounters such as Aldi and Lidl.

Discounters typically look for lower prices and suppliers who fit the philosophy and business model of high sustainable volumes, with a simple and efficient supply chain. Discounters' tissue offering is skewed towards Private Label and is driving growth of Private Label in the market as a whole. Discounters typically dedicate 3 per cent. of their shelf space to paper tissue products, compared to 2 per cent. in Multiples.The Directors and the Proposed Directors believe the Group is well positioned to continue to benefit from growth in the discount and Private Label markets.

Of the total market, 74 per cent. of UK revenue is attributable to Multiples, representing the largest market share. The Directors and the Proposed Directors are looking to increase penetration with these retailers as a key part of the Group's strategy going forward. Multiples have invested into Private Label and offer a greater range of such products compared to other retailers. Multiples are expected to continue to increase their Private Label offerings and Private Label market share is expected to increase by c.3 per cent. from 2014 to 2018 as shown in figure 7.

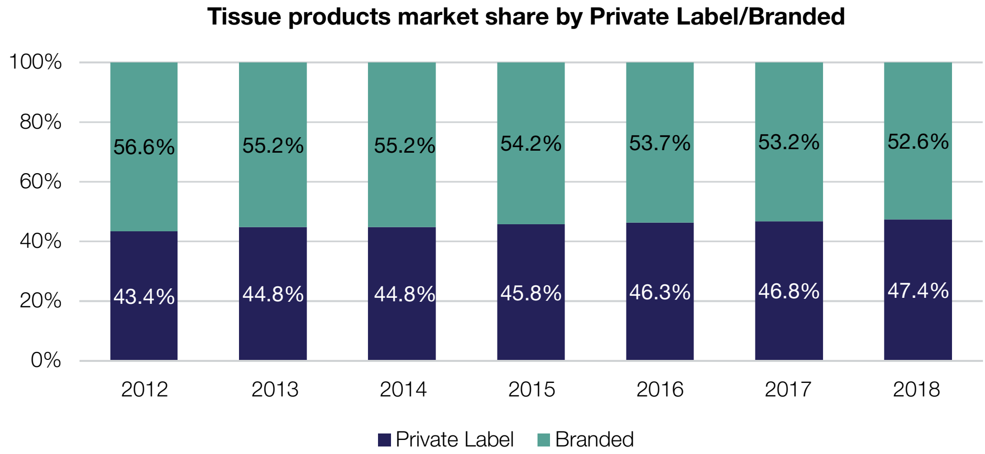


*Figure 7: UK tissue market by split between Private Label and Branded products*

***Competitive environment***

The UK tissue market is dominated by three multi-national corporations, accounting for 74 per cent. of the market by revenue. These companies have recorded slower organic growth than Accrol from 2008 to 2014 and predominantly supply Multiples in the UK. The Directors and the Proposed Directors believe these competitors have less production flexibility compared to Accrol and are less able to compete on cost due to overheads associated with operating a paper mill, ties with certain customers and, in certain instances, inability to produce Private Label products due to brand constraints and marketing costs to rebrand.

Other UK competitors are small and mid sized operations, supplying customers nationally and predominantly competing with Accrol in the discount and independent markets. The Directors and the Proposed Directors believe Accrol is one of only a few national suppliers with excess capacity and therefore has the ability to quickly secure and deliver large orders.

***Supply side market conditions***

The UK is a net importer of Parent Reels, of which Accrol takes 23 per cent. of all imports. There is a global over-supply of both pulp and Parent Reels and additional capacity is forecast to be brought on stream through to 2019. Excess global supply has suppressed Parent Reel prices and lower input prices have benefitted Accrol, allowing the Group to compete better on price compared to those competitors that operate paper mills.

Parent Reel prices (GBP per tonne) are driven by pulp prices and excess tissue capacity in the market. Parent Reel prices have been relatively flat over the last couple of years due to continued oversupply in the market (see figure 8). Prices are projected to remain at low levels due to forecast capacity additions in Asia, the Middle East and the US.

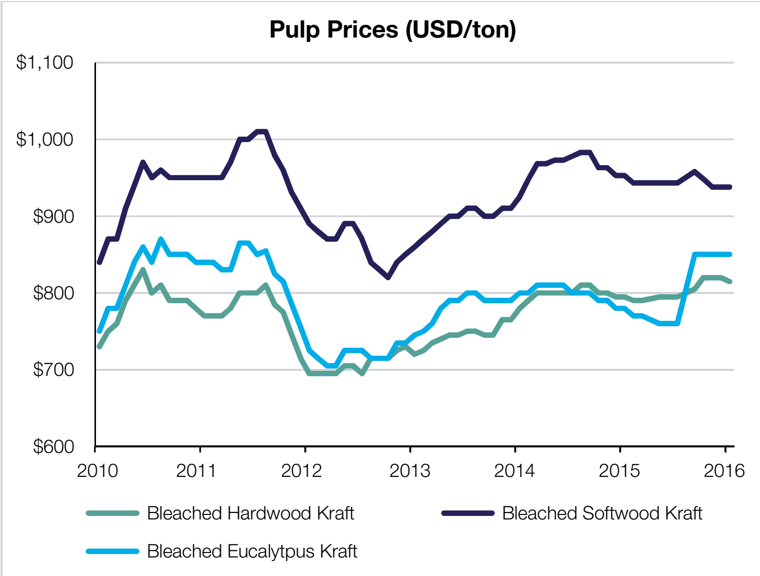


*Figure 8: Historic pulp prices*

## 5. STRATEGY

The Directors and the Proposed Directors have identified key areas of operation to focus on improving the Group's performance going forward and, in addition to these key areas, will consider complementary acquisitions.

***Organic Growth through Discounters***

The discount market is projected to grow at 10 per cent. per annum and represents the fastest growing retail sector within the UK tissue market. Accrol has a 35 per cent. market share of the discount market and the Directors and the Proposed Directors believe the Company will benefit from continued growth in the sector, providing Accrol's quality and cost standards can be maintained, which is a key focus for the Group.

***Increasing market share through Multiples***

The Directors and the Proposed Directors intend to leverage Accrol's ability to supply products across the toilet, kitchen and facial tissue product groups to increase orders and win new contracts with some of the UK's largest retailers.

Multiples are expected to increase Private Label offerings in response to growth in the discount sector and Accrol is well positioned to provide Private Label products, being the Group's focus over the last 7 years, having contributed 71 per cent. of revenues in the year ended 30 April 2015.

The Group can manufacture new Private Label offerings within six weeks of customer instruction and the Directors and the Proposed Directors believe this flexibility ensures the Group is well positioned to grow market share with Multiples.

***Operational improvements and capacity utilisation***

The Directors and the Proposed Directors believe there is scope to increase the efficiency of the current converting process through incremental changes to production line management and techniques, as well as running additional capacity through some of the newest machinery.

Capacity was c. 75 per cent. utilised on an annualised basis as at 29 February 2016 and since then the Group has acquired two additional converting lines, providing an additional c. 25,000 tonnes of capacity. Once installed, total available capacity will be 143,000 tonnes, upon which, on an annualised basis, as at the 29 February 2016 run-rate, equates to c. 62 per cent utilised capacity. Accrol will therefore have excess capacity in order to service any new orders with immediate effect.

## 6. FINANCIAL INFORMATION

Section B of Part III of this Document contains audited historical financial information of the Group for the three years ended 30 April 2015 and ten months ended 29 February 2016.

The following financial information has been derived from the financial information contained in Section B of Part III of this Document and should be read in conjunction with the full text of this Document. Investors should not rely solely on the summarised information.

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| Revenue | 74,832 | 87,662 | 101,056 | 82,278 | 97,598 |
| Gross profit | 21,022 | 21,875 | 25,206 | 20,871 | 28,977 |
| Operating profit | 8,445 | 7,680 | 6,522 | 5,284 | 10,316 |
| Finance costs | (435) | (618) | (4,231) | (3,498) | (4,140) |
| Profit before tax | 8,010 | 7,062 | 2,291 | 1,786 | 6,176 |
| Tax charge | (1,887) | (1,486) | (871) | (647) | (1,085) |
| Profit after tax | 6,123 | 5,576 | 1,420 | 1,139 | 5,091 |
| **Adjusted EBITDA** | 9,503 | 9,207 | 12,279 | 10,424 | 12,377 |
| Depreciation and amortisation | (977) | (1,179) | (3,200) | (2,646) | (3,227) |
| Exceptional items | – | – | (1,530) | (1,530) | (383) |
| (Loss)/gain on derivative financial instruments | (81) | (348) | (1,027) | (964) | 1,549 |
| Operating profit | 8,445 | 7,680 | 6,522 | 5,284 | 10,316 |

## 7. CURRENT TRADING AND PROSPECTS

The financial information for the three years ended 30 April 2015 and ten months ending 29 February 2016 is set out in Section B of Part III of this Document.

Since the period ended 29 February 2016, Accrol has continued to trade in line with the Directors' and the Proposed Directors' expectations.

## 8. DIRECTORS AND PROPOSED DIRECTORS

The Board on Admission will comprise:

**Peter Cheung** (*Executive Chairman*, aged 56)

Peter has a strong financial and operational background having accumulated over 30 years' international experience in blue chip manufacturing, FMCG and retail environments, with c. 20 years as a main board director.

Peter has worked alongside private equity firms since 1997 and served on the board of AM Paper (SCA Soft Tissue) as Corporate Development Director, TMD Friction as Chief Financial Officer, Jemella Group (ghd) as Chief Operating Officer and Chairman of the Operating Board. He is a qualified CIMA accountant.

Peter was appointed Chairman of Accrol in November 2014. He has over 10 years' experience in the soft tissue industry, including 8 years with Georgia Pacific.

**Stephen Roy Crossley (Steve)** (*Proposed Chief Executive Officer*, aged 58)

Steve has over 30 years' experience in UK food manufacturing and distribution at senior management or board level, including at Unigate plc and Northern Foods plc where Steve held various positions, including as Operating Board Director and Divisional Managing Director of Chilled Foods.

Most recently, from September 2014 until May 2016, Steve was Chief Executive Officer at Bright Blue Foods, where he helped restructure, transition and re-finance the Company with a new investor. Steve has also had roles as Group Executive Board Director of Samworth Brothers (November 2010 to August 2014) and Managing Director of Grampian Country Pork (September 2006 to September 2008).

In addition, Steve has experience working with venture capitalists and banks to raise capital for investment in new business ventures.

Steve will be appointed to the Board on Admission.

**James Paul Maurice Flude** (*Chief Financial Officer*, aged 41)

James joined Accrol as Chief Financial Officer in January 2015 and is responsible for the Group's finance function. He has over 13 years of industry experience in finance roles gained in blue chip and private equity backed businesses. This included two years at Northern Foods plc in internal audit and financial reporting and six years at ghd in a number of senior roles. Whilst at ghd, James was key in delivering the first private equity buyout with Lloyds Development Capital in July 2006 and the second buyout with Montagu Private Equity in July 2007.

James qualified as a Chartered Accountant with Arthur Andersen and holds a BSC Hons in Pure Mathematics from Birmingham University and a PhD in Mathematical Physics from the University of Nottingham.

**Joanne Carolyn Lake** (*Proposed Independent Non-Executive Director*, aged 52)

Joanne has over 30 years' experience in accountancy and investment banking primarily with Panmure Gordon, Evolution Securities, Williams de Broë and Price Waterhouse. She is Deputy Chairman of AIM quoted Mattioli Woods plc and Main Market listed Henry Boot PLC and is also a non-executive director of AIM quoted Gateley (Holdings) Plc and Morses Club PLC.

Joanne will be appointed to the Board on Admission.

**Stephen Hammett (Steve)** (*Proposed Independent Non-Executive Director*, aged 57)

Steve has over 25 years' experience with Tesco plc both in the UK as well as internationally. He has held various CEO roles with Tesco in Turkey, Thailand, Czech Republic and Slovakia.

More recently, Steve was the President of Al Futtaim Private, and responsible for the growth of its retail brands, through c.400 stores in nine Middle East and North Africa markets. Steve currently holds a position on the Food Board of the Co-operative Group in the role of interim customer director, responsible for c.3,000 stores.

Steve will be appointed to the Board on Admission.

## 9. SHARE PLANS

***Share incentive arrangements***

The Board recognises the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Company. Similarly, the Board believes that the ongoing success of the Company depends to a high degree on retaining and incentivising the performance of key members of senior management. To that end, the Company has adopted the MIP, to align the interests of senior management, and the broader employee workforce alike, with those of the shareholders.

The MIP will reward the senior management team in the event that shareholder value is created.

A summary of the MIP is set out in paragraph 4 of Part V of this document.

## 10. PLACING, VENDOR PLACING AND PLACING AGREEMENT

### *The Placing*

The Company is proposing to raise a total of approximately £43.3 million by way of a conditional placing by the Company of the Placing Shares, at the Placing Price.

The Placing Shares will represent approximately 46.6 per cent. of the Enlarged Ordinary Share Capital at Admission.

### *The Vendor Placing*

The Selling Shareholders have indicated a desire to realise a proportion of their investment in the Company. Under the Vendor Placing, the Selling Shareholders have agreed to sell 20,154,277 Vendor Placing Shares at the Placing Price and these shall be placed with investors by Zeus Capital.

The Vendor Placing Shares will represent approximately 21.7 per cent. of the Enlarged Ordinary Share Capital at Admission. The Company will not receive any proceeds from the sale of the Vendor Placing Shares.

Costs associated with the Proposals, which are estimated to be approximately £3.8 million, will be met as to approximately:

- £1.9 million by the Company; and
- £1.9 million by the Selling Shareholders.

### *The Placing Agreement*

Pursuant to the Placing Agreement, Zeus Capital has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Vendor Placing Shares. The Company, the Directors, the Proposed Directors and the Selling Shareholders have given certain warranties (and the Company has given an indemnity) to Zeus Capital, all of which are customary for this type of agreement.

Each of the Directors, the Proposed Directors and the Selling Shareholders who will hold Ordinary Shares following Admission have undertaken, pursuant to the Placing Agreement:

- for a period of 12 months from Admission, not to dispose of any of the Ordinary Shares in which they are interested at Admission, except with the permission of Zeus Capital and in certain customary circumstances; and
- for a further period of 6 months, to comply with certain requirements designed to maintain an orderly market in the Ordinary Shares.

The Placing and Vendor Placing, which are not underwritten, are conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 10 June 2016 (or such later date as Zeus Capital and the Company may agree, being no later than 10 July 2016).

The Placing Shares being subscribed for pursuant to the Placing will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue (including the Vendor Placing Shares) and will participate in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company. The Placing Shares and the Vendor Placing Shares will, immediately on and from Admission, be freely transferable.

Zeus Capital has the right under the Placing Agreement to terminate the Placing Agreement and not proceed with the Placing and Vendor Placing if, prior to Admission, certain events occur including certain force majeure events. If such right is exercised by Zeus Capital, the Placing and the Vendor Placing will lapse and any monies received in respect of the Placing and the Vendor Placing will be returned to investors without interest.

Further details of the Placing Agreement are set out in paragraph 12 of Part V of this document.

## 11. USE OF PROCEEDS

The gross proceeds of the Placing will be used by the Company to settle debt and certain transaction fees. The Directors and the Proposed Directors believe that Admission will provide the business with increased reputation and profile, the ability to incentivise key employees and a platform to execute their strategy.

On Admission, the Company will also complete a refinancing which will result in the drawdown of the RCF and the Company will also drawdown an additional amount on the existing Factoring Facility.

Total facilities available to the Company under the RCF will be £18 million and will be used, if required, for strategic stock purchases, capital expenditure and acquisitions.

Total facilities available to the Company under the Factoring Facility will be £20 million and will be used to continue support the working capital requirements of the business.

## 12. TAXATION

Information regarding taxation is set out in paragraph 15 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK.

**If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

## 13. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 10 June 2016.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Ordinary Shares in uncertificated form, Ordinary Shares will be credited to their CREST stock accounts on 10 June 2016. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the Ordinary Shares to be issued pursuant to the Placing or transferred pursuant to the Vendor Placing are expected to be despatched by post to such Shareholders by no later than 27 June 2016. The records of Ordinary Shares held in uncertificated form will be kept by the Company's registrar, details of which are set out on page 9.

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in CREST.

## 14. INTERESTS IN ORDINARY SHARES

Upon Admission, the Directors and the Proposed Directors will in aggregate be interested in, directly and indirectly, 881,363 Ordinary Shares representing approximately 0.9 per cent. of the Enlarged Ordinary Share Capital. Further information is available in paragraph 6 of Part V of this Document.

## 15. CORPORATE GOVERNANCE

The Directors and the Proposed Directors acknowledge the importance of the principles set out in the QCA Corporate Governance Code.

The Directors and the Proposed Directors intend to apply the QCA Corporate Governance Code, as far as they consider appropriate for a company of the Company's size and nature.

Immediately following Admission, the Board will comprise five directors, three of whom shall be executive directors (including Peter Cheung who will be Executive Chairman and who is not considered to be independent) and two of whom shall be non-executive directors, reflecting a blend of different experience and backgrounds. Joanne Lake and Stephen Hammett are considered independent.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors will receive appropriate and timely information. Briefing papers will be distributed to all directors in advance of Board meetings. All directors will have access to the advice and services of the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

***Board Committees***

The Company will, upon Admission, have established Audit, Nomination and Remuneration Committees.

The Audit Committee will appoint Joanne Lake as chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least three times a year. Peter Cheung and Stephen Hammett will be the other members of the Audit Committee.

The Nomination Committee will appoint Peter Cheung as chairman, and will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required. Joanne Lake and Stephen Hammett will be the other members of the Nomination Committee.

The Remuneration Committee will appoint Stephen Hammett as chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Peter Cheung and Joanne Lake will be the other members of the Remuneration Committee.

***Share Dealing Code***

The Directors and the Proposed Directors understand the importance of complying with the AIM Rules relating to dealings by directors and certain other employees of the Group in the Ordinary Shares and has established a share dealing code. The Company will take all reasonable steps to ensure compliance by the directors and any relevant employees. The Directors and the Proposed Directors believe that the share dealing code adopted by the Board is appropriate for a company quoted on AIM. The Board will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take reasonable steps to ensure compliance by the Company's "applicable employees" as defined in the AIM Rules.

## 16. DIVIDEND POLICY

The Directors and the Proposed Directors intend to implement a progressive dividend policy, subject to the discretion of the Board and subject to the Company having distributable reserves. It is the Directors' and the Proposed Directors' intention to pay both an interim dividend and a final dividend in respect of the financial year ending 30 April 2017 which, in total, is expected to equate to a 6 per cent. dividend yield, calculated on the Placing Price.

The Directors' and the Proposed Directors' intention is to pay one third of the dividend following the publication of the Company's interim accounts with the balance being paid following the year end. The Company, as a holding company, will be dependent on dividends paid to it by its subsidiaries to facilitate payment of dividends.

## 17. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code is issued and administered by the Panel and governs amongst other things, transactions involving companies to which the Takeover Code applies. The Takeover Code applies to the Company and therefore its Shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

## 18. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this Document. Your attention is also drawn to the section entitled "Important Information" on pages 3, 4 and 5 and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## 19. ADDITIONAL INFORMATION

You should read the whole of this Document and not just rely on the information contained in this Part I.

Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on the Group.

# PART II

# RISK FACTORS

**Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below.**

**Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.**

**In addition to the usual risks associated with an investment in a company, the Directors and the Proposed Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.**

**It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors and the Proposed Directors currently consider not to be material or of which they are currently not aware.**

**If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.**

## Risks specific to the Accrol business

The following sets out some of the risks relating to the Group. If any of the following risks are borne out in reality, the Group's business, financial condition or results of operations could be seriously affected.

### *The Group relies on key customers – Concentrated customer base*

The Group has a number of key customer relationships. The top 10 customers contributed c.66 per cent. of the Group's revenues in FY15, with the largest customer making up c.25 per cent. of the Group's revenues. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Execution risk relating to new customers*

One of the Group's key strategic objectives is to secure orders and/or contracts with new customers. However, success in securing such orders and/or contracts cannot be guaranteed and the failure to do so could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Parent Reel price volatility*

The Group considers that, due to an oversupply of Parent Reels and pulp at present, Parent Reel prices are currently comparatively low. However, if Parent Reel prices were to rise above the Group's expectations and the Group was unable to offset such increases through cost savings or price increases, that could have a material adverse effect on the Group's business, financial condition and results of operations.

### *FX – Volatility of prices – significant purchases in USD and Euros*

The Group sources supplies from overseas, mainly in US dollars and Euros. As a result, the Group is exposed to the risk that adverse exchange rate movements cause its costs to increase (relative to its reporting currency), resulting in reduced profitability. The Group takes steps to mitigate this risk by putting in place hedging arrangements to reduce exposure to currency risk and is also able to make alternative purchases in other currencies to mitigate this risk further, however, these may not always be entirely effective, and residual currency risk may exist.

***Cost inflation***

Any change in the costs of operating the Group could impact on the Group's profitability. Such cost increases could be incurred from increments in supplier costs (including, amongst other things, raw materials and energy costs, particularly electric costs) or increases in costs to be incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance.

***There is no assurance that the Group's growth strategies will be successful***

There can be no certainty that the Group will be able to implement successfully its growth strategies. The ability of the Group to implement those strategies in a competitive market will require effective management planning and operational controls.

***The Group relies on the retention of key business relationships – some relationships are not contracted and contracted relationships do not guarantee orders***

Whilst the Group has agreed terms and conditions with approximately half of its top 10 customers, it does not have contracts in place with the top 10 customers which provide for committed or minimum orders or volumes. As a result, the Group is exposed to the risk that any of those customers could cease or reduce their purchases from the Group and/or seek to change such terms and conditions without any prior notice, which could have a material adverse effect on the Group's business, financial condition and results of operations. The Directors and the Proposed Directors believe that the quality of the Group's products, the logistics and warehousing arrangements and capacity of the Group help to mitigate this risk, that those factors mitigate the risk of smaller competitors being able to compete with the Group for such business and that those and other commercial factors mitigate the risk of comparative or larger competitors being able to or willing to compete with the Group for such business. However, those beliefs may not be borne out in reality and/or competitors of the Group may be able and willing to overcome such issues.

***Competitors seeking to increase market share of discount market***

The Directors and the Proposed Directors believe that some of the Group's main competitors have less production flexibility compared to the Group and are less able to compete on cost due to; overheads associated with operating a paper mill, ties with certain customers and inability, in certain instances, to produce Private Label products due to brand constraints. The Directors and the Proposed Directors also believe that the Group is one of only a handful of suppliers, operating on a national scale, with excess capacity and therefore the ability to quickly secure and deliver large orders. However, if those beliefs are not borne out in reality, or if those or other competitors of the Group are able to increase their market share of the discount market, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***Group's sales and profits are concentrated in certain key markets***

The Group's services are concentrated entirely in the tissue and AFH market. Should there be adverse movement in either or both of these markets, certain or all of the Group's customers could reduce or cancel orders, which could have a material adverse affect on the Group's business, financial condition and results of operation.

***Group depends on the performance and retention of the Directors and the Proposed Directors and its executive management team, and on the establishment and operation of appropriate central finance and administrative functions***

The Group's success depends, to a significant extent, on the continued services of the Directors and the Proposed Directors and its executive management team, who have extensive experience and knowledge of the Group and its business and strategy, and on the establishment and operation of appropriate central finance and administrative functions. The Group has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate personnel could have a negative impact on the ability of the Group to effectively implement its strategy. If one or more senior executives or other personnel are unable or unwilling, either temporarily or permanently, to continue in their present positions or carry out their current roles, the Group may not be able to easily replace or substitute them, temporarily or at all. If any key personnel leave and carry on activities competing with the Group, it may lose staff members and legal remedies against such individuals may be limited. Employment agreements do not prevent employees from terminating their employment at any time and, whilst key individuals' employment agreements contain restrictive covenants designed to prevent them competing against the Group for a period, there can be no certainty that they will be enforceable. Finding and hiring any additional personnel and replacements could be costly and might require the Group to grant significant equity awards or other incentive compensation. Any such occurrence could have a material adverse effect on the Group's business, financial condition and results of operations. Competition for key personnel is high, the pool of qualified candidates is limited and the Group may not be able to attract high quality key personnel in the future. If appropriate central finance and administrative functions are not established and operated, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***Group's operations may be subject to disruptions in production and IT systems***

Businesses that depend on production and IT systems for the efficient operation of their production, sales, delivery and management information systems are exposed to the risk that the relevant production or IT systems may suffer from defects and/or disruption, resulting in business interruption and, potentially, loss of reputation. The Directors and the Proposed Directors believe that production could continue despite IT disruption for a limited period and that the most significant risk to production is a fire.

***Group may not be able to utilise its production capacity efficiently due to variability in customer demand or unexpected events***

The Directors and the Proposed Directors believe that the Group has more production flexibility than many of its competitors and is the only supplier, of national scale, with excess capacity and therefore the ability to quickly secure and deliver large orders. However, variability in customer demand and/or unexpected events may result in the Group being unable to utilise such capacity efficiently, which could have a material adverse effect on the Group's profitability, financial condition and results of operations. The Group's experience is that customer demand is relatively consistent.

***Restructuring, decommissioning and/or the need for unexpected maintenance or improvements at its plants may require the Group to incur significant costs***

Should the Group's facilities become damaged or require restructuring, decommissioning or unexpected maintenance or improvements, the ability of the Group to generate revenue may be adversely affected and/or the Group may incur significant costs in remedying such damage or carrying out such restructuring, decommissioning, maintenance or improvements, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***Future acquisitions or investments may be unsuccessful and may divert management's attention and consume significant resources***

The Group may acquire other businesses if suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect the Group's results of operations.

In addition, merger and acquisition activity, including the difficulties involved in integrating target companies, businesses or assets, may divert financial and management resources from the Group's core results of operations and prospects.

There can be no assurance that the Group will identify suitable acquisitions or opportunities, obtain the financing necessary to complete and support such acquisitions or opportunities or acquire target companies, businesses or assets on satisfactory terms, or that any targets acquired will prove to be profitable. In addition, the acquisition and integration of targets is a complex, costly and time-consuming process involving a number of possible problems and risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with customers and other third parties, risks associated with unanticipated events or liabilities and difficulties with the assimilation of the operations, technologies, systems, services and products of the targets.

In identifying potential acquisition targets, the Group would make every effort to ensure appropriate due diligence is carried out, but acquisitions would necessarily leave the Group exposed, at least to some degree, to any operational failings of the target. Any payment for such target with Ordinary Shares might also dilute the interests of Shareholders.

**Brexit**

If Britain were to leave the European Union, it could have a direct impact on the Group due to unfavourable movements in exchange rates, particularly the British Pound which could weaken significantly against overseas currencies, including the US Dollar and Euro. The Group purchases the majority of Parent Reels in foreign currencies, with significant purchases in US Dollars and Euros. Should exchange rates move in an unfavourable manner as a result of Britain leaving the European Union, the Group's raw material costs will increase and this could have a material adverse impact on the Group's business, financial condition and results of operation.

The Directors and Proposed Directors have identified a number of mitigating actions that could reduce this exposure including switching suppliers, making payment in British Pounds or other currencies, acquiring more Parent Reels from UK suppliers, re-balancing operations or passing price increases on to customers. The Directors and Proposed Directors also believe that adverse movement in exchange rates may be offset by a beneficial movement in paper prices. Should Britain leave the European Union, there may be other, unforeseen, effects both impacting the Group directly and the market in which it operates and the mitigating actions identified may not always be effective.

**New product upside**

While management have moved into new product lines quickly and effectively ahead of competition, there is a risk that new product lines may not see an uptake in line with historic success and the costs of these new product lines will have to be bourne by the Company regardless. New product lines may have lower margin than current products or may be loss-making when considered individually. The Group's revenues and profits may be materially adversely impacted should any new product lines be unsuccessful.

**General risks relating to the Ordinary Shares**

***Quotation on AIM, liquidity and possible price volatility***

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of Accrol's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The Ordinary Shares will not be listed on the Official List and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List.

In addition, there can be no guarantee that Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

***Future sale of Ordinary Shares***

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market value of Ordinary Shares. The Group may require additional capital in the future which may not be available to it. If available, future financings to provide this capital may dilute Shareholders' proportionate ownership of the Company's share capital. The Group may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares or rights to acquire these securities. The Company cannot give Shareholders any assurance that they will be provided with the opportunity to participate in any such offering in any particular circumstance or at all. If the Group raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on, and increase the volatility of, the market value of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

***Costs of being a public company***

As a public company, the Company will be required to comply with certain additional laws, regulations and requirements, including the requirements of AIM. Complying with these laws, regulations and requirements will occupy a significant amount of the time of the Board and management and will increase the Company's costs and expenses. The Company expects that compliance with these laws, regulations and requirements will increase its legal and financial compliance costs. The Company cannot predict or estimate the amount of additional costs which it may incur or the timing of such costs.

In order to comply with these laws, regulations and requirements, the Company will need to:

- expand the roles and duties of its Board, its board committees and management;
- institute more comprehensive compliance functions;
- evaluate and maintain its system of internal control over financial reporting, and report on management's assessment thereof;
- prepare and distribute periodic public reports in compliance with the Company's obligations under applicable laws and regulations;
- implement more comprehensive internal policies, such as those relating to disclosure controls and procedures and insider trading;
- involve to a greater degree outside counsel and accountants in the above activities;
- hire investor relations support personnel; and
- hire additional personnel to perform external reporting and internal accounting functions, including tax and accounting functions.

If the Company fails to take some of these actions, in particular with respect to its accounting functions and its compliance function, its ability to report its financial results accurately and in a timely manner could be impaired.

***Legislation and tax status***

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' and the Proposed Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

***Economic, political, judicial, administrative, taxation or other regulatory matters***

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

***Taxation***

The attention of potential investors is drawn to paragraph 15 of Part V of this Document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life.

Information in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

***Dividends***

The Company's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. The Company's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions including foreign exchange limitations, and regulatory, fiscal and other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results or financial condition.

# PART III

# HISTORICAL FINANCIAL INFORMATION

## SECTION A – ACCOUNTANTS' REPORT

The Directors
Accrol Group Holdings Plc
Delta Building
Roman Road
Blackburn
BB1 2LD

Zeus Capital (the "**Nominated Adviser**")
82 King Street
Manchester
M2 4WQ

2 June 2016

Dear Sirs

**Accrol Group Holdings Plc**

We report on the combined and consolidated financial information of the Group (being Accrol Holdings Limited and its subsidiaries prior to 14 July 2014, and Accrol Group Holdings Limited and its subsidiaries thereafter) set out in Section B of Part III below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the admission document dated 2 June 2016 (the "**Admission Document**") of Accrol Group Holdings Plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "**AIM Rules**") and is given for the purpose of complying with that Schedule and for no other purpose. We have not audited or reviewed the financial information for the 10 months to 28 February 2015 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

**Responsibilities**

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with the basis of preparation set out in note 2 to the Financial Information Table.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 2 June 2016, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits/losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the Financial Information Table.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of AIM Rules.

Yours faithfully

**PricewaterhouseCoopers LLP**
*Chartered Accountants*

## SECTION B – HISTORICAL FINANCIAL INFORMATION

**Combined and consolidated income statements**

| | Note | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|---|
| Revenue | 4 | 74,832 | 87,662 | 101,056 | 82,278 | 97,598 |
| – Cost of sales before (loss)/ gain on derivative financial instruments | | (53,729) | (65,439) | (74,823) | (60,443) | (70,170) |
| – (Loss)/gain on derivative financial instruments | | (81) | (348) | (1,027) | (964) | 1,549 |
| Cost of sales | | (53,810) | (65,787) | (75,850) | (61,407) | (68,621) |
| **Gross profit** | | 21,022 | 21,875 | 25,206 | 20,871 | 28,977 |
| Administration expenses | | (6,613) | (6,931) | (10,598) | (8,899) | (10,806) |
| Distribution costs | | (5,964) | (7,264) | (8,086) | (6,688) | (7,855) |
| **Operating profit** | 5 | 8,445 | 7,680 | 6,522 | 5,284 | 10,316 |
| **Analysed as:** | | | | | | |
| – Adjusted EBITDA[1] | | 9,503 | 9,207 | 12,279 | 10,424 | 12,377 |
| – Depreciation | 10 | (977) | (1,179) | (1,509) | (1,237) | (1,508) |
| – Amortisation | 11 | – | – | (1,691) | (1,409) | (1,719) |
| – (Loss)/gain on derivative financial instruments | | (81) | (348) | (1,027) | (964) | 1,549 |
| – Exceptional items | 5 | – | – | (1,530) | (1,530) | (383) |
| **Operating profit** | 5 | 8,445 | 7,680 | 6,522 | 5,284 | 10,316 |
| Finance costs | 8 | (435) | (618) | (4,231) | (3,498) | (4,140) |
| **Profit before tax** | | 8,010 | 7,062 | 2,291 | 1,786 | 6,176 |
| Tax charge | 9 | (1,887) | (1,486) | (871) | (647) | (1,085) |
| **Profit for the year/period attributable to equity shareholders** | | 6,123 | 5,576 | 1,420 | 1,139 | 5,091 |

**Combined and consolidated statements of comprehensive income**

| | | | | | |
|---|---|---|---|---|---|
| **Profit for the year/period** | 6,123 | 5,576 | 1,420 | 1,139 | 5,091 |
| Other comprehensive income for the year/period | – | – | – | – | – |
| **Total comprehensive income attributable to equity shareholders** | 6,123 | 5,576 | 1,420 | 1,139 | 5,091 |

*Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, loss/gain on derivative financial instruments and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.*

*All results derive from continuing operations.*

**Combined and consolidated statements of financial position**

| | Note | *As at 1 May 2012 £'000* | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| *Non-current assets* | | | | | | |
| Property, plant and equipment | 10 | 11,156 | 10,847 | 16,189 | 22,740 | 21,558 |
| Intangible assets | 11 | 4,199 | 4,199 | 4,199 | 33,804 | 32,085 |
| **Total non-current assets** | | 15,355 | 15,046 | 20,388 | 56,544 | 53,643 |
| *Current assets* | | | | | | |
| Inventories | 12 | 8,096 | 8,130 | 9,149 | 9,381 | 12,027 |
| Trade and other receivables | 13 | 13,564 | 19,057 | 23,700 | 19,301 | 20,266 |
| Derivative financial instruments | 17 | – | – | – | – | 94 |
| Cash and cash equivalents (excluding bank overdraft) | 14 | 21 | 551 | 21 | 735 | 4,232 |
| **Total current assets** | | 21,681 | 27,738 | 32,870 | 29,417 | 36,619 |
| **Total assets** | | 37,036 | 42,784 | 53,258 | 85,961 | 90,262 |
| *Non-current liabilities* | | | | | | |
| Borrowings | 16 | 3,958 | 2,789 | 5,221 | 49,968 | 49,456 |
| Deferred tax liabilities | 9 | 981 | 1,054 | 1,041 | 4,984 | 4,632 |
| **Total non-current liabilities** | | 4,939 | 3,843 | 6,262 | 54,952 | 54,088 |
| *Current liabilities* | | | | | | |
| Borrowings | 16 | 9,228 | 11,482 | 13,991 | 12,465 | 18,111 |
| Trade and other payables | 15 | 10,981 | 9,451 | 9,182 | 17,143 | 13,009 |
| Income taxes payable | | 978 | 895 | 786 | 456 | 436 |
| Derivative financial instruments | 17 | – | 80 | 428 | 1,455 | – |
| **Total current liabilities** | | 21,187 | 21,908 | 24,387 | 31,519 | 31,556 |
| **Total liabilities** | | 26,126 | 25,751 | 30,649 | 86,471 | 85,644 |
| **Net assets/(liabilities)** | | 10,910 | 17,033 | 22,609 | (510) | 4,618 |
| *Capital and reserves* | | | | | | |
| Issued capital | 20 | – | – | – | 10 | 13 |
| Share premium | 20 | – | – | – | 50 | 84 |
| Accrol Holdings Limited invested capital | | 10,910 | 17,033 | 22,609 | – | – |
| Retained earnings/(deficit) | 20 | – | – | – | (570) | 4,521 |
| **Total equity shareholders' funds/(deficit)** | | 10,910 | 17,033 | 22,609 | (510) | 4,618 |

**Combined and consolidated statements of changes in equity**

| | Note | *Issued capital £'000* | *Share premium £'000* | *Accrol Holdings Limited invested capital £'000* | *Retained earnings/ (deficit) £'000* | *Total equity/ (deficit) (attributable to owners) £'000* |
|---|---|---|---|---|---|---|
| Balance at 1 May 2012 | | – | – | 10,910 | – | 10,910 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | – | – | 6,123 | – | 6,123 |
| **Total comprehensive income for the year** | | – | – | 6,123 | – | 6,123 |
| **Balance at 30 April 2013** | | – | – | 17,033 | – | 17,033 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | – | – | 5,576 | – | 5,576 |
| **Total comprehensive income for the year** | | – | – | 5,576 | – | 5,576 |
| **Balance at 30 April 2014** | | – | – | 22,609 | – | 22,609 |
| **Total comprehensive income/loss for the period/year** | | | | | | |
| Profit/(loss) for the period/year | | – | – | 1,990 | (570) | 1,420 |
| **Total comprehensive income/loss for the period/year** | | – | – | 1,990 | (570) | 1,420 |
| **Transactions with owners recorded directly in equity** | | | | | | |
| Distribution to shareholders | 20 | – | – | (6,000) | – | (6,000) |
| Changes in ownership interests on Acquisition | 20 | – | – | (18,599) | – | (18,599) |
| Issue of ordinary shares | 20 | 10 | 50 | – | – | 60 |
| **Balance at 30 April 2015** | | 10 | 50 | – | (570) | (510) |
| **Total comprehensive income for the period** | | | | | | |
| Profit for the period | | – | – | – | 5,091 | 5,091 |
| **Total comprehensive income for the period** | | – | – | – | 5,091 | 5,091 |
| **Transactions with owners recorded directly in equity** | | | | | | |
| Issue of ordinary shares | 20 | 3 | 34 | – | – | 37 |
| **Balance at 29 February 2016** | | 13 | 84 | – | 4,521 | 4,618 |

**Combined and consolidated cash flow statements**

| | Note | Year ended 30 April 2013 | Year ended 30 April 2014 | Year ended 30 April 2015 | Unaudited 10 months ended 28 February 2015 | 10 months ended 29 February 2016 |
|---|---|---|---|---|---|---|
| *Cash flows from operating activities* | | | | | | |
| Operating profit | | 8,445 | 7,680 | 6,522 | 5,284 | 10,316 |
| *Adjustments for:* | | | | | | |
| Depreciation | 5,10 | 977 | 1,179 | 1,509 | 1,237 | 1,508 |
| Amortisation | 5,11 | – | – | 1,691 | 1,409 | 1,719 |
| Loss/(gain) on derivative financial instruments | | 81 | 348 | 1,027 | 964 | (1,549) |
| Loss/(profit) on disposals of property, plant and equipment | | 2 | (1) | 11 | 11 | – |
| Grant income | | (17) | (18) | (25) | (19) | (51) |
| **Adjusted operating profit before changes in working capital** | | 9,488 | 9,188 | 10,735 | 8,886 | 11,943 |
| Increase in inventories | | (33) | (1,020) | (233) | (1,744) | (2,646) |
| Increase in trade and other receivables | | (1,331) | (1,643) | (2,475) | (2,546) | (965) |
| (Decrease)/increase in trade and other payables | | (1,515) | (252) | 3,298 | 2,345 | (3,359) |
| **Cash generated from operations** | | 6,609 | 6,273 | 11,325 | 6,941 | 4,973 |
| Tax paid | | (1,897) | (1,606) | (1,547) | (1,547) | (1,459) |
| Interest paid | | (491) | (560) | (681) | (568) | (4,655) |
| **Net cash flows from operating activities** | | 4,221 | 4,107 | 9,097 | 4,826 | (1,141) |
| *Cash flows from investing activities* | | | | | | |
| Purchase of property, plant and equipment | | (1,841) | (1,032) | (812) | (589) | (374) |
| Proceeds from sale of property, plant and equipment | | 244 | 11 | – | – | 48 |
| Purchase of subsidiary | 22 | – | – | (25,100) | (25,100) | – |
| Loans to related party | | (3,000) | (3,000) | – | – | – |
| Government grants received | | – | – | 1,000 | 855 | – |
| **Net cash flows used in investing activities** | | (4,597) | (4,021) | (24,912) | (24,834) | (326) |

**Combined and consolidated cash flow statements (continued)**

| | Note | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|---|
| *Cash flows from financing activities* | | | | | | |
| Proceeds of issue of ordinary shares | 20 | – | – | 55 | 55 | 37 |
| Cost of raising finance | | – | – | (782) | (782) | – |
| Repayment of capital element of finance leases | | (1,396) | (2,357) | (2,443) | (1,993) | (2,570) |
| Increase/(decrease) in amounts due to factors | 16 | 2,630 | 1,446 | (5,602) | (2,127) | 7,761 |
| Repayment of bank loans | | – | – | (900) | (900) | (900) |
| Drawdown of bank loans | | – | – | 6,000 | 6,000 | – |
| Drawdown of shareholder loans/loan notes | 21 | – | – | 20,496 | 20,496 | 249 |
| **Net cash flows from/(used in) financing activities** | | 1,234 | (911) | 16,824 | 20,749 | 4,577 |
| **Net increase/(decrease) in cash and cash equivalents** | | 858 | (825) | 1,009 | 741 | 3,110 |
| Cash and cash equivalents at the beginning of the year/period | | (307) | 551 | (274) | (274) | 735 |
| **Cash and cash equivalents at the end of the year/period** | 14 | 551 | (274) | 735 | 467 | 3,845 |

## Notes to the combined and consolidated financial information

### 1. General information

Accrol Group Holdings Limited (the "Company") was incorporated in the United Kingdom on 30 April 2014 with company number 9019496. The registered address of the Company is the Delta Building, Roman Road, Blackburn, United Kingdom, BB1 2LD. Accrol UK Limited, which was incorporated on 24 April 2014, subsequently became a direct wholly owned subsidiary undertaking of the Company on 14 July 2014. On 14 July 2014, Accrol UK Limited acquired Accrol Holdings Limited and its trading subsidiary, Accrol Papers Limited (the "Acquisition"). Accrol Papers Limited is engaged in the business of soft tissue paper conversion. The Company's subsidiaries are listed in note 21, which together with the Company form the Accrol Group Holdings Limited 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 information.

***Basis of preparation***

The combined and consolidated financial information has been prepared on a going concern basis under the historical cost convention except for derivative financial liabilities that are measured at fair value. The combined and consolidated financial information is presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

The combined and consolidated financial information has been prepared in accordance with the requirements of Commission Regulation (EC) 809/2004 and the UK Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) except as described below. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

As noted above, on 14 July 2014, the Group acquired control of Accrol Holdings Limited. This business combination is discussed in further detail in note 22. As a result of the acquisition, the structure of the group carrying out the Group's business has not been the same throughout the entire period covered by the historical financial information as reflected in the table following:

| *Year ended 30 April 2013* | *Year ended 30 April 2014* | *Year ended 30 April 2015* | *10 months ended 29 February 2016* |
|---|---|---|---|
| Accrol Holdings Limited | Accrol Holdings Limited | Accrol Group Holdings Limited | Accrol Group Holdings Limited |
| Accrol Papers Limited | Accrol Papers Limited | Accrol UK Limited<br>Accrol Holdings Limited<br>Accrol Papers Limited | Accrol UK Limited<br>Accrol Holdings Limited<br>Accrol Papers Limited |

Furthermore, due to the change in capital structure, the historical financial information is prepared on a combined and consolidated basis. The combined basis combines the results, cash flows, assets and liabilities of each of the companies constituting the Group through aggregation of the assets, liabilities, revenues, expenses and cash flows of each entity. The historical financial information has therefore been prepared on the basis as described below.

***Accounting period ended 30 April 2013***

This presents the consolidated results and statement of financial position of Accrol Holdings Limited prior to its acquisition by Accrol Group Holdings Limited, for the 12 months ended 30 April 2013, which have been prepared in accordance with IFRS.

***Accounting period ended 30 April 2014***

This presents the consolidated results and statement of financial position of Accrol Holdings Limited prior to its acquisition by Accrol Group Holdings Limited, for the 12 months ended 30 April 2014, which have been prepared in accordance with IFRS.

***Accounting period ended 30 April 2015 and interim accounting period ended 28 February 2015 (unaudited)***

The Statements of Comprehensive Income and Statements of Cash Flows for the year ended 30 April 2015 and 10 month period ended 28 February 2015 have been prepared on a basis of aggregating the results and cash flows of Accrol Group Holdings Limited and Accrol UK Limited with the results and cash flows of Accrol Holdings Limited and Accrol Papers Limited from 1 May 2014 to 14 July 2014, and then the consolidated results and cash flows of the Group from 14 July 2014 to 30 April 2015 and 14 July 2014 to 28 February 2015 prepared in accordance with IFRS 10 Consolidated Financial Statements (IFRS 10). The balance sheets as at 30 April 2015 and 28 February 2015 represent the Consolidated Statements of Financial Position of the Group by applying the principles underlying the consolidation procedures of IFRS 10. Internal transactions within the Group have been eliminated on combination.

The group has applied IFRS 3 Business Combinations (IFRS 3) on the acquisition of Accrol Holdings Limited on 14 July 2014 as detailed in note 22. The Combined and Consolidated Statement of Changes in Equity includes an adjustment 'Changes in ownership interests on Acquisition' in respect of the elimination of the pre-acquisition net assets of Accrol Holdings Limited as required under IFRS 3.

***Interim accounting period ended 29 February 2016***

The consolidated results and statement of financial position for the Group for the 10 months ended 29 February 2016 have been prepared in accordance with IFRS.

***Departures from IFRS***

IFRS does not provide for the preparation of combined financial information, and accordingly in preparing the combined and consolidated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In other respects IFRS has been applied.

- As explained above, the historical information is not prepared for all periods presented on a consolidated basis and therefore does not comply with the requirements of IFRS 10.

- The combined and consolidated financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 and consequently the Group does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.

- The combined and consolidated financial information has not been prepared in accordance with IAS 33 given the changes in the capital structure. An illustrative earnings per share measure for the three years and ten months is included in note 6 to present the earnings attributable to the ordinary shares as at the Acquisition date for the years to 30 April 2013 and 30 April 2014 and those attributable to the weighted average number of ordinary shares for the year to 30 April 2015 and 10 month period to 29 February 2016.

***Transition to IFRS***

This the Group's first financial information prepared in accordance with this basis of preparation. The Group's deemed transition date to IFRS is 1 May 2012, the beginning of the first period presented, and the requirements of IFRS 1 have been applied as of that date. IFRS 1 allows certain exemptions in the application of particular IFRS to prior periods in order to assist companies with the transition process. The exemptions applied are detailed in note 23.

***Standards issued not yet effective***

At the date of authorisation of this financial information, the following new standards and interpretations which have not been applied in this financial information were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

- IAS 16 and IAS 38 amendments – Clarification of Acceptable Methods of Depreciation and Amortisation *(effective 1 January 2016)*
- IFRS 11 amendments – Accounting for Acquisitions of Interests in Joint Operations *(effective 1 January 2016)*
- IAS 16 and IAS 41 amendments – Agriculture: Bearer Plants *(effective 1 January 2016)*
- IAS 27 amendments – Equity Method in Separate Financial Statements *(effective 1 January 2016)*
- IFRS 10 and IAS 28 amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective 1 January 2016)*
- IAS 1 amendments – Disclosure Initiative *(effective 1 January 2016)*
- Annual Improvements 2012-2014 Cycle *(effective 1 January 2016)*
- IFRS 15 – Revenue from Contracts with Customers *(effective 1 January 2018)*
- IFRS 9 Financial Instruments *(effective 1 January 2018)*

The adoption of these Standards and Interpretations is not expected to have a material impact on the financial information of the Group in the period of initial application when the relevant standards come into effect.

IFRS 16 'Leases' is a new standard that has been published and is effective from 1 January 2019 but has not been early adopted by the Group and could have a material impact on the Group financial information. At the time of preparing this financial information, the Group continues to assess the possible impact of the adoption of this standard in future periods. However, it is likely to result in an increase in leases recognised in the statement of financial position as finance leases and a reduction in the number of leases treated as operating leases and hence not recognised in the statement of financial position.

***Going Concern***

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial information that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial information.

***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.

***Segment***

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 earnings before interest, tax, depreciation, amortisation 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 (overriders) 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, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the combined and consolidated income statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the combined and 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 the write down of customer relationships held in intangibles. 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 balance sheet 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:

- 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

*Customer relationships and order books*

Customer relationships are recognised at fair value or historical cost. 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 customers lists 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.

### ***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 11).

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. These 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***

The Group's activities expose it to financial risks associated with movements in foreign exchange rates. The Group uses forward foreign exchange rate contracts to hedge its foreign exchange rate exposure. The

Group does not apply hedge accounting and re-measurements of the derivative financial instruments are recognised in the income statement. The use of financial derivatives is governed by the Group's treasury policies, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

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.

***Leases***

*Finance leases*

Assets funded through finance leases are capitalised either 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 to the statement of comprehensive income on an effective interest rate basis.

*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 period or less (or in the normal operating cycle of the business if longer). 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.

***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 period. 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 judgements in applying the entity's accounting policies***

***Goodwill 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. More information including carrying values is included in note 11.

### *Determining carry values of Intangibles identified in business combinations*

Valuation of separable intangible assets identified on new business combination during the period requires management to make assumptions and estimates regarding the expected future cash generation or replacement cost of the intangibles identified for which management employed the use of external valuation services to facilitate this exercise. Details of the intangible assets identified are set out in note 11.

### *Income taxes*

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. Detail of the tax charge and deferred tax are set out in note 9.

### *Customer rebates*

The Group provides for amounts payable to customers in relation to rebates and promotional activity. Whilst the Directors do not consider the Group's rebates to be highly complex as they are predominantly volume related, there is judgement required in calculating amounts due, as terms vary by customer.

## 4. Revenue

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

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| United Kingdom | 74,350 | 87,211 | 100,700 | 81,977 | 97,451 |
| Europe (excluding United Kingdom) | 482 | 451 | 356 | 301 | 147 |
| **Total** | 74,832 | 87,662 | 101,056 | 82,278 | 97,598 |

### *Major customers*

In 2016 there were four major customers that individually accounted for at least 10 per cent. of total revenues (2015: two customers; 2014: two customers; 2013: two customers). The revenues relating to these customers in 2016 were £20,849,000, £11,925,000, £11,223,000 and £10,372,000 (2015: £26,245,000 and £11,269,000; 2014: £22,685,000 and £10,687,000; 2013: £16,268,000 and £9,421,000).

## 5. Operating profit

Operating profit is stated after charging/(crediting):

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| Employee benefit expense | 4,674 | 5,143 | 7,160 | 5,689 | 8,082 |
| Depreciation of property, plant and equipment | 977 | 1,179 | 1,509 | 1,237 | 1,508 |
| Amortisation of intangible assets (included in administration expenses) | – | – | 1,691 | 1,409 | 1,719 |
| Loss/(profit) on disposal of property, plant and equipment | 2 | (1) | 11 | 11 | – |
| Operating lease rentals | 1,449 | 1,634 | 1,769 | 1,463 | 1,619 |
| Net foreign exchange (gains)/losses | (98) | 304 | 968 | 905 | (1,615) |
| Grant income | (17) | (18) | (25) | (19) | (51) |
| Auditor's remuneration | 60 | 68 | 61 | 52 | 49 |
| Inventories recognised as expense | 43,835 | 53,839 | 59,060 | 47,833 | 55,239 |
| ***Exceptional items*** | | | | | |
| Acquisition deal fees | – | – | 1,530 | 1,530 | – |
| Consultancy fees | – | – | – | – | 225 |
| Other | – | – | – | – | 158 |
| | – | – | 1,530 | 1,530 | 383 |

The exceptional items are described below:

***Year ended 30 April 2015 and period ended 28 February 2015***

On 14 July 2014, Accrol Group Holdings Limited through its subsidiary, Accrol UK Limited, purchased the entire issued share capital of Accrol Holdings Limited for a consideration of £45,600,000. Under UK GAAP, deal fees of £1,530,000 were included in the value of Goodwill and, as part of the transition to IFRS, these have been fully expensed in the year of acquisition.

***Period ended 29 February 2016***

One off consultancy fees totalling £225,000 were incurred in relation to a market, competitor and customer review to support the growth strategy following the acquisition in July 2014.

In September 2015, there was a fire within the embossing unit of one of the converting lines. The line was back up and running within one week with no disruption to customer orders. The costs of repair were £158,000.

***Auditors' remuneration***

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| Audit services | 24 | 24 | 33 | 28 | 30 |
| *Non audit services:* | | | | | |
| Tax compliance services | 7 | 10 | 13 | 11 | – |
| Tax advisory services | – | – | 15 | 13 | 19 |
| Advisory services | 29 | 34 | – | – | – |
| | 60 | 68 | 61 | 52 | 49 |

A fee of £556,000 was paid to the Group's auditors for services provided as part of the Group restructuring in the year ended 30 April 2015.

## 6. Earnings per share

The basic 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/period. The following reflects the income and share data used in the basic earnings per share calculation:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| Profit for the year/period | 6,123 | 5,576 | 1,420 | 1,139 | 5,091 |
| | *Number* | *Number* | *Number* | *Number* | *Number* |
| Basic weighted average number of shares[1,] | 9,450 | 9,450 | 9,569 | 9,506 | 9,900 |
| | £ | £ | £ | £ | £ |
| Basic earnings per share | 647.95 | 590.05 | 148.40 | 119.82 | 514.24 |

*Note 1: The basic weighted average number of shares is 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 in the above periods.*

During the period under review the group had no shares or options with a dilutive effect and, therefore, the basic and diluted earnings per share are the same.

Due to the Acquisition on 14 July 2014, the basic earnings per share presented for the years ended 30 April 2013 and 30 April 2014 are based on the issued share capital of Accrol Group Holdings Limited at the date of Acquisition. The basic earnings per share presented for the year ended 30 April 2015, for the 10 months ended 28 February 2015 and for the 10 months ended 29 February 2016 are based on the weighted average number of shares of Accrol Group Holdings Limited from the date of Acquisition through to the relevant period end.

## 7. Employee costs

| | Year ended 30 April 2013 £'000 | Year ended 30 April 2014 £'000 | Year ended 30 April 2015 £'000 | Unaudited 10 months ended 28 February 2015 £'000 | 10 months ended 29 February 2016 £'000 |
|---|---|---|---|---|---|
| Employee costs during the year/period amounted to: | | | | | |
| Wages and salaries | 4,303 | 4,748 | 6,618 | 5,258 | 7,464 |
| Social security costs | 371 | 395 | 493 | 392 | 556 |
| Pension | – | – | 49 | 39 | 62 |
| | 4,674 | 5,143 | 7,160 | 5,689 | 8,082 |

The average number of employees (including the executive directors) during the year/period were:

| | *Number* | *Number* | *Number* | *Number* | *Number* |
|---|---|---|---|---|---|
| Production | 190 | 212 | 288 | 277 | 430 |
| Administration | 24 | 29 | 38 | 37 | 28 |
| | 214 | 241 | 326 | 314 | 458 |

## 8. Finance costs

| | Year ended 30 April 2013 £'000 | Year ended 30 April 2014 £'000 | Year ended 30 April 2015 £'000 | Unaudited 10 months ended 28 February 2015 £'000 | 10 months ended 29 February 2016 £'000 |
|---|---|---|---|---|---|
| Shareholder loans | – | – | 3,263 | 2,658 | 3,425 |
| Bank loans and overdrafts | – | – | 154 | 111 | 119 |
| Finance lease interest | 261 | 372 | 329 | 270 | 306 |
| Factoring | 174 | 246 | 197 | 173 | 152 |
| Amortisation of finance fees | – | – | 288 | 286 | 138 |
| | 435 | 618 | 4,231 | 3,498 | 4,140 |

## 9. Income tax expense

### (a) *Tax on profit*

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| **Tax charged in the Income Statement** | | | | | |
| *Current income tax* | | | | | |
| Current tax on profits for the year/period | 1,827 | 1,468 | 1,218 | 957 | 1,437 |
| Adjustments in respect of prior years/periods | (12) | 31 | – | – | – |
| **Total current income tax** | 1,815 | 1,499 | 1,218 | 957 | 1,437 |
| *Deferred tax* | | | | | |
| Origination and reversal of temporary differences | (36) | 167 | (151) | (113) | 119 |
| Change in tax rate | 113 | (151) | (196) | (197) | (471) |
| Adjustments in respect of prior years/periods | (5) | (29) | – | – | – |
| **Total deferred tax** | 72 | (13) | (347) | (310) | (352) |
| **Tax charge in the Income Statement** | 1,887 | 1,486 | 871 | 647 | 1,085 |

### (b) *Reconciliation of income tax charge*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the Group as follows:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *Unaudited 10 months ended 28 February 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|---|
| Profit before income tax | 8,010 | 7,062 | 2,291 | 1,786 | 6,176 |
| Weighted average tax rate | 24% | 23% | 21% | 21% | 20% |
| At the weighted average income tax rate | 1,917 | 1,613 | 481 | 375 | 1,250 |
| Expenses not deductible for tax purposes and excluded income | 23 | 22 | 586 | 469 | 306 |
| Change in rate | (5) | (151) | (196) | (197) | (471) |
| Adjustments in respect of prior years/periods | (48) | 2 | – | – | – |
| | 1,887 | 1,486 | 871 | 647 | 1,085 |

(c) ***Deferred tax***

During the year/period the Group recognised the following deferred tax assets and liabilities:

| | *Accelerated capital allowances £'000* | *Intangibles £'000* | *Other £'000* | *Total £'000* |
|---|---|---|---|---|
| **30 April 2012** | | | | |
| Brought forward | 981 | – | – | 981 |
| Charge in year | (36) | – | – | (36) |
| Change in deferred tax rate | 133 | – | (19) | 114 |
| Prior year adjustment | (5) | – | – | (5) |
| **30 April 2013** | 1,073 | – | (19) | 1,054 |
| Charge in year | 247 | – | (79) | 168 |
| Change in deferred tax rate | (167) | – | 15 | (152) |
| Prior year adjustment | (29) | – | – | (29) |
| **30 April 2014** | 1,124 | – | (83) | 1,041 |
| Arising on the Acquisition | – | 4,290 | – | 4,290 |
| Charge in year | 454 | (354) | (251) | (151) |
| Change in deferred tax rate | (2) | (203) | 9 | (196) |
| **30 April 2015** | 1,576 | 3,733 | (325) | 4,984 |
| Charge in period | 109 | (344) | 354 | 119 |
| Change in deferred tax rate | (158) | (310) | (3) | (471) |
| **29 February 2016** | 1,527 | 3,079 | 26 | 4,632 |

(d) ***Change in tax rate***

The Finance Act 2012 reduced the main rate of corporation tax from 24 per cent. to 23 per cent. from 1 April 2013. The Finance Act 2013 further reduced the main rate of corporation tax to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015. Further future rate reductions, to 19 per cent. from 1 April 2017 and 18 per cent. from 1 April 2020, were substantively enacted on 26 October 2015. Therefore, the rate of 20.0 per cent. (2015: 21.0 per cent.; 2014: 23.0 per cent.; 2013: 24.0 per cent.) has been reflected in the combined and consolidated financial information 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 18 per cent. as at 29 February 2016 (2015: 20 per cent.; 2014: 20 per cent.; 2013: 20 per cent.).

### 10. Property, plant and equipment

| | Leasehold land & buildings £'000 | Fixtures & fittings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Assets under construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| **At 1 May 2012** | 156 | 729 | 12,084 | 187 | – | 13,156 |
| Additions | 239 | 39 | 636 | – | – | 914 |
| Disposals | (239) | – | (8) | – | – | (247) |
| **At 30 April 2013** | 156 | 768 | 12,712 | 187 | – | 13,823 |
| Additions | – | 101 | 6,320 | 110 | – | 6,531 |
| Disposals | – | – | – | (92) | – | (92) |
| **At 30 April 2014** | 156 | 869 | 19,032 | 205 | – | 20,262 |
| Revaluation on Acquisition (note 22) | (30) | (435) | (3,893) | (72) | – | (4,430) |
| Additions | – | 107 | 3,512 | 35 | 4,417 | 8,071 |
| Disposals | – | – | (19) | (34) | – | (53) |
| **At 30 April 2015** | 126 | 541 | 18,632 | 134 | 4,417 | 23,850 |
| Additions | – | 165 | 162 | 47 | – | 374 |
| Transfers | – | – | 4,417 | – | (4,417) | – |
| Disposals | – | – | (47) | (35) | – | (82) |
| **At 29 February 2016** | 126 | 706 | 23,164 | 146 | – | 24,142 |
| ***Accumulated depreciation*** | | | | | | |
| **At 1 May 2012** | 7 | 199 | 1,728 | 66 | – | 2,000 |
| Charge | 11 | 115 | 796 | 55 | – | 977 |
| Disposals | – | – | (1) | – | – | (1) |
| **At 30 April 2013** | 18 | 314 | 2,523 | 121 | – | 2,976 |
| Charge | 10 | 109 | 1,003 | 57 | – | 1,179 |
| Disposals | – | – | – | (82) | – | (82) |
| **At 30 April 2014** | 28 | 423 | 3,526 | 96 | – | 4,073 |
| Revaluation on Acquisition (note 22) | (30) | (435) | (3,893) | (72) | – | (4,430) |
| Charge | 11 | 107 | 1,330 | 61 | – | 1,509 |
| Disposals | – | – | – | (42) | – | (42) |
| **At 30 April 2015** | 9 | 95 | 963 | 43 | 1,110 | |
| Charge | 8 | 96 | 1,350 | 54 | – | 1,508 |
| Disposals | – | – | – | (34) | – | (34) |
| **At 29 February 2016** | 17 | 191 | 2,313 | 63 | – | 2,584 |
| ***Net book value*** | | | | | | |
| **At 1 May 2012** | 149 | 530 | 10,356 | 121 | – | 11,156 |
| **At 30 April 2013** | 138 | 454 | 10,189 | 66 | – | 10,847 |
| **At 30 April 2014** | 128 | 446 | 15,506 | 109 | – | 16,189 |
| **At 30 April 2015** | 117 | 446 | 17,669 | 91 | 4,417 | 22,740 |
| **At 29 February 2016** | 109 | 515 | 20,851 | 83 | – | 21,558 |

The net book value of tangible fixed assets includes an amount of £16,152,000 (2015: £18,135,000; 2014: £13,838,000; 2013: £8,637,000; 2012: £9,111,000) in respect of assets held under finance leases.

## 11. Intangible assets

| | Goodwill £'000 | Customer relationships £'000 | Order book £'000 | Total £'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| **At 1 May 2012** | 4,539 | – | – | 4,539 |
| Additions | – | – | – | – |
| **At 30 April 2013** | 4,539 | – | – | 4,539 |
| Additions | – | – | – | – |
| **At 30 April 2014** | 4,539 | – | – | 4,539 |
| Arising on the Acquisition on 14 July 2014 | 14,982 | 20,427 | 86 | 35,495 |
| Eliminated on the Acquisition on 14 July 2014 | (4,539) | – | – | (4,539) |
| **At 30 April 2015** | 14,982 | 20,427 | 86 | 35,495 |
| Additions | – | – | – | – |
| **At 29 February 2016** | 14,982 | 20,427 | 86 | 35,495 |
| ***Accumulated amortisation*** | | | | |
| **At 1 May 2012** | 340 | – | – | 340 |
| Charge | – | – | – | – |
| **At 30 April 2013** | 340 | – | – | 340 |
| Charge | – | – | – | – |
| **At 30 April 2014** | 340 | – | – | 340 |
| Charge | – | 1,623 | 68 | 1,691 |
| Eliminated on the Acquisition on 14 July 2014 | (340) | – | – | (340) |
| **At 30 April 2015** | – | 1,623 | 68 | 1,691 |
| Charge | – | 1,701 | 18 | 1,719 |
| **At 29 February 2016** | – | 3,324 | 86 | 3,410 |
| ***Net book value*** | | | | |
| **At 1 May 2012** | 4,199 | – | – | 4,199 |
| **At 30 April 2013** | 4,199 | – | – | 4,199 |
| **At 30 April 2014** | 4,199 | – | – | 4,199 |
| **At 30 April 2015** | 14,982 | 18,804 | 18 | 33,804 |
| **At 29 February 2016** | 14,982 | 17,103 | – | 32,085 |

***Impairment test for goodwill***

The goodwill balance relates to the Group's Acquisition of Accrol Holdings Limited (note 22) and is attributed to the sole cash-generating units ('CGU').

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 to five 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 post tax discount rate of 16 per cent. and a long term growth rate of 2 per cent. 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 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.

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 periods under review management's value in use calculations have indicated no requirement to impair.

***Sensitivity to changes in assumptions***

The estimates of the recoverable amounts associated with these CGU affords significant head room over the carrying value, consequently only significant adverse changes in these key assumptions would cause the group to recognize an impairment loss.

## 12. Inventories

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Raw materials | 5,516 | 6,527 | 6,416 | 9,183 |
| Finished goods and goods for resale | 2,614 | 2,622 | 2,965 | 2,844 |
| | 8,130 | 9,149 | 9,381 | 12,027 |

## 13. Trade and other receivables

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Trade receivables | 14,588 | 16,812 | 19,207 | 20,051 |
| Less: Provision for impairment of trade receivables | (146) | (52) | (62) | (85) |
| Trade receivables – net of provision | 14,442 | 16,760 | 19,144 | 19,966 |
| Amounts owed by related parties | 3,000 | 6,000 | – | – |
| Other receivables | 3 | 3 | – | 25 |
| Prepayments | 1,612 | 937 | 157 | 275 |
| | 19,057 | 23,700 | 19,301 | 20,266 |

The trade receivables balance is aged as follows:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Less than one month past due | 8,022 | 9,104 | 11,705 | 10,641 |
| Between one and two months past due | 5,816 | 6,835 | 6,909 | 7,758 |
| Between two and three months past due | 499 | 711 | 342 | 1,126 |
| Between three and six months past due | 251 | 162 | 251 | 526 |
| | 14,588 | 16,812 | 19,207 | 20,051 |

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, a provision against bad debt is recognised. There are no trade receivables amounts more than six months past due.

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:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| At the beginning of the year/period | (136) | (146) | (52) | (62) |
| Provisions made for receivables impairment | (10) | (3) | (28) | (23) |
| Amounts unused reversed | – | 97 | 18 | – |
| **At the end of the year/period** | (146) | (52) | (62) | (85) |

The creation and release of the provision for impaired receivables has been included in 'administrative costs' in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 14. Cash and cash equivalents

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.

The figures below reconcile to the amount of cash and cash equivalents shown in the combined and consolidated cash flow statements at the end of the financial years/periods as follows:

| | *As at 30 April 2012 £'000* | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 28 February 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|---|---|
| Cash at bank and in hand | 21 | 551 | 21 | 735 | 467 | 4,232 |
| Bank overdraft (note 16) | (328) | – | (295) | – | – | (387) |
| **Cash and cash equivalents per cash flow statements** | (307) | 551 | (274) | 735 | 467 | 3,845 |

## 15. Trade and other payables

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Trade payables | 7,604 | 7,123 | 9,149 | 6,463 |
| Social security and other taxes | 679 | 944 | 1,821 | 1,488 |
| Accruals and deferred income | 1,039 | 1,003 | 5,086 | 4,022 |
| Deferred government grant income | 129 | 112 | 1,087 | 1,036 |
| | 9,451 | 9,182 | 17,143 | 13,009 |

Trade payables are non-interest bearing and are payable on average within 31 days at 29 February 2016 (2015: 36 days; 2014: 36 days; 2013: 32 days).

## 16. Borrowings

| | As at 30 April 2013 £'000 | As at 30 April 2014 £'000 | As at 30 April 2015 £'000 | As at 29 February 2016 £'000 |
|---|---|---|---|---|
| *Non-Current* | | | | |
| Bank facility | – | – | 3,700 | 2,926 |
| Finance leases | 2,789 | 5,221 | 5,444 | 5,444 |
| Shareholder loans | – | – | 40,824 | 41,086 |
| | 2,789 | 5,221 | 49,968 | 49,456 |
| *Current* | | | | |
| Bank overdraft | – | 295 | – | 387 |
| Bank facility | – | – | 1,070 | 1,070 |
| Factoring facility | 9,978 | 11,424 | 5,829 | 13,583 |
| Finance leases | 1,504 | 2,272 | 5,566 | 3,071 |
| | 11,482 | 13,991 | 12,465 | 18,111 |
| Loan maturity analysis: | | | | |
| Within one year | 11,482 | 13,991 | 12,465 | 18,111 |
| Between one and two years | 1,136 | 1,844 | 3,515 | 3,619 |
| Between two and five years | 1,653 | 3,377 | 5,629 | 4,751 |
| After five years | – | – | 41,321 | 41,471 |
| | 14,271 | 19,212 | 62,930 | 67,952 |
| **The following amounts remain undrawn and available** | | | | |
| Bank facility | – | – | – | – |
| Factoring facility | 1,670 | 2,130 | 10,051 | 3,420 |
| | 1,670 | 2,130 | 10,051 | 3,420 |

The Group's bank borrowings are secured by way of fixed and floating charge over the Group's assets.

***Term loan under the £20.495 million 10 per cent. Fixed Rate Secured Manager Loan Notes 2023 ("Shareholder loans")***

On 14 July 2014 the Group entered into a 9 year, £20.495 million credit facility with Majid Hussain, Wajid Hussain, Mozam Hussain to part finance the Group's acquisition of Accrol Holdings Limited. Interest is accrued on the loan from date of issue at the rate of 10 per cent. per annum and compounded on each anniversary. Interest is then also payable on the PIK notes at a rate of 10 per cent. per annum by the issue of further PIK notes. The shareholder loans are repayable in full in June 2023.

***Term loan under the £20.495 million 10 per cent. Fixed Rate Secured Investor Loan Notes 2023 ("Shareholder loans")***

On 14 July 2014 the Group entered into a 9 year, £20.495 million credit facility with Northedge Capital LLP to part finance the Group's acquisition of Accrol Holdings Limited. Interest is accrued on the loan from date of issue at the rate of 10 per cent. per annum and compounded on each anniversary. Interest is then also payable on the PIK notes at a rate of 10 per cent. per annum by the issue of further PIK notes. The shareholder loans are repayable in full in June 2023.

***HSBC term loan under the £6.0 million revolving bank facility ("Bank facility")***

On 8 August 2014 the Group entered into a 5 year, £6.0 million sterling revolving credit facility. The facility was to part finance the Group's acquisition of Accrol Holdings Limited and to provide financing for general corporate and working capital requirements. The variable interest rate payable under the facility is LIBOR plus a variable margin between 2-3 per cent. (dependent upon gearing ratio) plus mandatory costs. The loan is repayable in quarterly instalments commencing 31 October 2014. All amounts outstanding under the facility are repayable on 8 August 2019.

***HSBC £20 million factoring credit facility ("Factoring facility")***

On 8 August 2014 the Group entered into a £20.0 million multi-currency revolving credit facility to provide factoring financing for general working capital requirements for a minimum period of 3 years. Under the terms of this facility the drawdown is based upon gross debtors less a retention with 90 per cent. of 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 are subject to financial covenants in relation to the Bank Facility and the Factoring Facility. The covenants in relation to the Bank Facility cover the following ratios: a) Cash flow cover, b) Interest cover and c) Leverage. The covenants in relation to the Factoring Facility cover the following: a) Debt turn, b) Debt dilution, c) Disputed debt and d) Tangible net worth. The Group has been in compliance with all of the covenants during the periods under review. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

***Finance fees***

Finance fees incurred for the arrangement of Shareholder loans by the Group's lenders are not included in the Loan Maturity Analysis table. The finance fees after amortisation are as follows:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Finance fees | – | – | 497 | 385 |

## 17. Financial instruments

***Derivative financial instruments***

Derivative financial instruments represent the Group's forward foreign exchange contracts. The (liabilities)/assets representing the valuations of the forward foreign exchange contracts at each year/period end date are:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| ***Current*** | | | | |
| Foreign currency contracts | (80) | (428) | (1,455) | 94 |

The group has entered into a number of foreign exchange contracts that were open as at the year/period end. The total value of open foreign exchange contracts at each Balance Sheet date are as follows:

| | *As at 30 April 2013* | *As at 30 April 2014* | *As at 30 April 2015* | *As at 29 February 2016* |
|---|---|---|---|---|
| EUR (in £'000) | 6,000 | 4,000 | 26,000 | – |
| USD (in $'000) | 4,940 | 35,000 | 19,700 | 3,000 |

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 spot rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each period end is categorised as a Level 2 valuation, see below. 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 periods under review.

***Fair values***

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

| | *Fair values and carrying values* | | | |
|---|---|---|---|---|
| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
| **Financial assets** | | | | |
| *Current* | | | | |
| Trade and other receivables | 19,057 | 23,700 | 19,301 | 20,266 |
| Derivative financial instruments | – | – | – | 94 |
| Cash and short-term deposits | 551 | 21 | 735 | 4,232 |
| **Financial liabilities** | | | | |
| *Current* | | | | |
| Borrowings | 11,482 | 13,991 | 12,465 | 18,111 |
| Derivative financial instruments | 80 | 428 | 1,455 | – |
| Trade and other payables | 9,451 | 9,182 | 17,143 | 13,009 |
| *Non-Current* | | | | |
| Borrowings | 2,789 | 5,221 | 49,968 | 49,456 |

### 18. Capital and financial risk management objectives and policies

(a) ***Capital risk management***

The Group's objective when managing capital are 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.

| | As at 30 April 2013 £'000 | As at 30 April 2014 £'000 | As at 30 April 2015 £'000 | As at 29 February 2016 £'000 |
|---|---|---|---|---|
| Total borrowings | 14,271 | 19,212 | 62,433 | 67,183 |
| Less: cash and cash equivalents | (551) | (21) | (735) | (4,232) |
| Net debt | 13,720 | 19,191 | 61,698 | 62,951 |

(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 contacts. The derivative analysis below had been prepared by reperforming the calculations used to determine the balance sheet values assuming a 1 per cent. strengthening of Sterling:

| | As at 30 April 2013 £'000 | As at 30 April 2014 £'000 | As at 30 April 2015 £'000 | As at 29 February 2016 £'000 |
|---|---|---|---|---|
| Euro – gain/(loss) | 51 | (18) | 157 | (190) |
| US$ – gain/(loss) | 32 | 178 | (81) | (108) |
| | 83 | 160 | 76 | (298) |

(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 Group manages its interest rate risk by holding the majority of borrowings in fixed rate secured loan notes. The exposure to the remaining risk is deemed to be manageable and is reviewed on a continual basis. The Group are not expecting any reduction in interest rates over the next 12 months, the impact of 0.5 per cent. increase in interest rates on profit before tax is shown below:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Change in interest rate | 50 | 57 | 55 | 87 |

(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:

**As at 29 February 2016**

| | *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* |
|---|---|---|---|---|---|
| Borrowings | 18,111 | 3,619 | 4,751 | 41,471 | 67,952 |
| Trade and other payables | 13,009 | – | – | – | 13,009 |
| **Total financial liabilities** | 31,120 | 3,619 | 4,751 | 41,471 | 80,961 |

**As at 30 April 2015**

| | *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* |
|---|---|---|---|---|---|
| Borrowings | 12,465 | 3,515 | 5,629 | 41,321 | 62,930 |
| Trade and other payables | 17,143 | – | – | – | 17,143 |
| Derivative financial instruments | 1,455 | – | – | – | 1,455 |
| **Total financial liabilities** | 31,063 | 3,515 | 5,629 | 41,321 | 81,528 |

**As at 30 April 2014**

| | *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* |
|---|---|---|---|---|---|
| Borrowings | 13,991 | 1,844 | 3,377 | – | 19,212 |
| Trade and other payables | 9,182 | – | – | – | 9,182 |
| Derivative financial instruments | 428 | – | – | – | 428 |
| **Total financial liabilities** | 23,601 | 1,844 | 3,377 | – | 28,822 |

**As at 30 April 2013**

| | 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 |
|---|---|---|---|---|---|
| Borrowings | 11,482 | 1,136 | 1,653 | – | 14,271 |
| Trade and other payables | 9,451 | – | – | – | 9,451 |
| Derivative financial instruments | 80 | – | – | – | 80 |
| **Total financial liabilities** | 21,013 | 1,136 | 1,653 | – | 23,802 |

(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.

## 19. Commitments and contingencies

***Operating lease commitments***

The Group has entered into leases on commercial real estate. These leases have an average life of 12.6 years with no renewal option included in the contracts. 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-cancelable operating leases as at the year/period end, analysed by the period in which they fall due, are as follows:

| | As at 30 April 2013 £'000 | As at 30 April 2014 £'000 | As at 30 April 2015 £'000 | As at 29 February 2016 £'000 |
|---|---|---|---|---|
| Within one year | 1,320 | 1,500 | 1,740 | 1,740 |
| Between one and two years | 1,320 | 1,500 | 1,740 | 1,740 |
| Between two and five years | 3,960 | 4,500 | 5,220 | 5,220 |
| Greater than five years | 8,930 | 8,600 | 8,256 | 6,806 |
| | 15,530 | 16,100 | 16,956 | 15,506 |

***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:

| | As at 30 April 2013 £'000 | As at 30 April 2014 £'000 | As at 30 April 2015 £'000 | As at 29 February 2016 £'000 |
|---|---|---|---|---|
| Within one year | 1,760 | 2,557 | 5,917 | 3,406 |
| Between one and two years | 1,309 | 2,089 | 2,687 | 2,729 |
| Between two and five years | 1,917 | 3,762 | 3,302 | 3,200 |
| | 4,986 | 8,408 | 11,906 | 9,335 |
| Future finance charges | (693) | (915) | (896) | (820) |
| Present value | 4,293 | 7,493 | 11,010 | 8,515 |

The present value of finance lease liabilities is as follows:

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Within one year | 1,504 | 2,272 | 5,566 | 3,071 |
| Between one and two years | 1,136 | 1,844 | 2,415 | 2,487 |
| Between two and five years | 1,653 | 3,377 | 3,029 | 2,957 |
| | 4,293 | 7,493 | 11,010 | 8,515 |

***Capital commitments***

| | *As at 30 April 2013 £'000* | *As at 30 April 2014 £'000* | *As at 30 April 2015 £'000* | *As at 29 February 2016 £'000* |
|---|---|---|---|---|
| Contracted for but not provided | 5,932 | 7,121 | – | – |

## 20. Issued capital and reserves

The movements in the called up share capital and share premium account are set out below. The share capital and share premium accounts for the years to 30 April 2013 and 30 April 2014 have been excluded from the below analysis as the movements are included within invested capital, as presented in the Combined and Consolidated Statements of Changes in Equity.

| | *As at 30 April 2015 £* | *As at 29 February 2016 £* |
|---|---|---|
| ***Called up, allotted and fully paid*** | | |
| Class A Ordinary shares of £1 each | 4,625 | 4,625 |
| Class B Ordinary shares of £1 each | 4,625 | 4,625 |
| Class C Ordinary shares of £1 each | 300 | 650 |
| Class D Ordinary shares of £1 each | – | 2,860 |
| | 9,550 | 12,760 |

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

| | *Number* | *Number* |
|---|---|---|
| Class A Ordinary shares of £1 each | 4,625 | 4,625 |
| Class B Ordinary shares of £1 each | 4,625 | 4,625 |
| Class C Ordinary shares of £1 each | 300 | 650 |
| Class D Ordinary shares of £1 each | – | 2,860 |

The movements in shares occurred on the following dates set out below:

| | *Number* | *Number* |
|---|---|---|
| **14 July 2014** | | |
| Issue of A Ordinary shares of £1 each | 4,625 | – |
| Issue of B Ordinary shares of £1 each | 4,625 | – |
| Issue of C Ordinary shares of £1 each | 200 | – |
| **10 September 2014** | | |
| Issue of C Ordinary shares of £1 each | 100 | – |
| **4 March 2015 (transacted on 19 June 2015)** | | |
| Issue of C Ordinary shares of £1 each | – | 350 |
| Issue of D Ordinary shares of £1 each | – | 2,860 |

On 14 July 2014, Accrol Group Holdings Limited through its subsidiary, Accrol UK Limited, purchased the entire issued share capital of Accrol Holdings Limited for a consideration of £45,600,000 which comprised of £20,500,000 loan notes ("Shareholder Loans") issued by Accrol UK Limited to the Vendors and cash of £25,100,000. The vendors of Accrol Holdings Limited, entered into put and call options with Accrol Group Holdings Limited over £4,625 of their loan notes in Accrol UK Limited. The options were exercised such that the Shareholder loans notes were transferred to Accrol Group Holdings Limited in exchange for new B ordinary shares in Accrol Group Holdings with a nominal value of £4,625 with no impact on cash.

The issue of the A, B and C Ordinary Shares during in July and September 2014 were satisfied by the receipt of £55,000 in cash and the exchange of £4,625 of shareholder loan notes, resulting in share premium of £50,000. The issue of the C and D Ordinary Shares in March 2015 (transacted on 19 June 2015) were satisfied by the receipt of £37,000 in cash, resulting in share premium of £34,000.

The A Shares, B Shares and C Shares rank *pari passu* in all respects. The D Ordinary Shares rank *pari passu* with the other share classes except that the dividend payable to D shareholders are subject to a cap.

Each holder of an A Share, B Share or D Share is entitled to vote at general meetings of the Company. The C Shares do not confer on the holders any right to vote at general meetings of the Company. Every holder of an A Share or B Share shall have one vote for each A Share or B Share held; and the D Shares entitle the holders to such number of votes (in aggregate) as is equal to 30 per cent. of the total votes to be cast, such votes being divided proportionately between the holders of such D shares being cast on such poll.

No dividends have been paid or proposed in either of the years to 30 April 2013 or 30 April 2014 or in the 10 month period to 29 February 2016. In the year ended 30 April 2015, it was agreed to waive the £4,500,000 loan due to Accrol Papers Limited from the related party Phoenix Court Blackburn Limited and to waive the £1,500,000 loan due to Accrol Holdings Limited from the related party Phoenix Court Blackburn Limited. This has been treated as a distribution of £6,000,000 to shareholders within the Combined and Consolidated Statement of Changes in Equity.

The following describes the nature and purpose of each reserve in equity:

***Share premium***

Amount subscribed for share capital in excess of nominal value.

***Retained earnings***

The accumulated net gains and losses of the Group since inception. It excludes any dividends paid.

***Changes in ownership interests on Acquisition***

The presentation of the historical financial information of the Group has departed from full compliance with IFRS in relation to the treatment of the Business Combination that occurred on 14 July 2014. Consequently the Group has presented combined and consolidated financial information in relation to the year ended 30 April 2015. The key effects of this in relation to retained earnings are as follows:

(i) ***Restructuring***

An adjustment similar to that required by IFRS 3 'Business combination' in relation to the elimination of pre-acquisition Reserves provides the bridge between the reserves of the acquired Group (Accrol Holdings Limited) and that of Accrol Group Holding Limited as explained below:

| *As at 14 July 2014* | *£'000* |
|---|---|
| Pre-acquisition retained earnings as at 1 May 2014 | 22,606 |
| Pre-acquisition earnings accumulated in period to 14 July 2014 | 1,990 |
| Distribution to shareholders | (6,000) |
| **Total pre-acquisition reserves** | 18,596 |
| Share capital as at 1 May 2014 | 3 |
| **Pre-acquisition net assets** | 18,599 |

(ii) ***Income statement***

As a result of the use of the Combined presentation the Group have presented an Income statement for a 12 month period which includes the earnings underlying trading business for the period of ownership of the current and historic Grouping. Under IFRS the earnings of a business acquired during the reporting period would ordinarily only be included in the income statement of the Group from the date of acquisition.

## 21. Related party disclosures

(a) ***Identity of related parties***

The Company is under joint control. The controlling shareholders are 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 are made.

The subsidiaries of the Group are as follows:

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

(b) ***Transactions with related parties***

The following table provides the total amounts owed to/(due from) related parties as at the end of each year/period:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|
| Northedge Capital LLP | – | – | 21,667 | 21,353 |
| Northedge Capital – GP | – | – | 460 | 460 |
| The Hussain Family | – | – | 22,127 | 21,790 |
| Phoenix Court Blackburn Limited | (2,989) | (6,000) | – | – |
| Alklar Limited | – | – | 8 | 257 |
| **Total owed to/(due from) related parties** | (2,989) | (6,000) | 44,262 | 43,860 |
| Opening balance | 365 | (2,989) | (6,000) | 44,262 |
| Loans advanced during year | – | – | 40,990 | 249 |
| Loans issued to related parties | (3,000) | (3,000) | – | – |
| Loans written off – distribution to shareholders | – | – | 6,000 | – |
| Interest charged | – | – | 3,264 | 3,427 |
| Purchases | 1,347 | 1,409 | 1,673 | 1,562 |
| Repayments | (1,701) | (1,420) | (1,665) | (5,640) |
| **Closing balance owed to/(due from) related parties** | (2,989) | (6,000) | 44,262 | 43,860 |
| Borrowings | – | – | 40,990 | 41,239 |
| Trade and other receivables | (3,000) | (6,000) | – | – |
| Trade & other payables | 11 | – | 3,272 | 2,621 |
| **Total owed to/(due from) related parties** | (2,989) | (6,000) | 44,262 | 43,860 |

Note 16 details loan notes net of financing fees.

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

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|
| Northedge Capital LLP | – | – | 1,698 | 1,780 |
| The Hussain Family | – | – | 1,632 | 1,713 |
| Phoenix Court Blackburn Limited | 1,347 | 1,409 | 1,568 | 1,431 |
| Alklar Limited | – | – | 39 | 65 |
| **Total** | 1,347 | 1,409 | 4,937 | 4,989 |

***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. Loans from related parties carry interest at 10 per cent. Payments to Phoenix Court Blackburn Limited are in respect of the provision of services.

(c) ***Compensation of key management personnel***

Key management personnel comprises the directors of the Company. The compensation paid or payable to key management for employee services is shown below:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|
| Remuneration | 222 | 220 | 602 | 664 |
| Pension | – | – | – | – |
| | 222 | 220 | 602 | 664 |

At the 29 February 2016 period end, £nil was owed to the directors in respect of a year-end bonus (2015: £nil; 2014: £nil; 2013: £nil).

Information regarding the highest paid director is as follows:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* | *Year ended 30 April 2015 £'000* | *10 months ended 29 February 2016 £'000* |
|---|---|---|---|---|
| Remuneration | 72 | 72 | 150 | 182 |

## 22. Acquisitions

On 14 July 2014, Accrol Group Holdings Limited through its subsidiary, Accrol UK Limited, purchased the entire issued share capital of Accrol Holdings Limited for a consideration of £45,600,000. The operations of Accrol Papers Limited, a wholly owned subsidiary of Accrol Holdings Limited, are focussed on soft tissue paper conversion from its premises in Blackburn, Lancashire from where it produces toilet rolls, kitchen rolls and boxes of facial tissues. The acquisition brought additional funding into the business allowing it to focus and deliver its growth strategy.

Goodwill represents the expected benefits to the wider Group arising from the acquisition. The assets and liabilities of Accrol Holdings Limited and their fair values are set out below:

| | *Fair value £'000* |
|---|---|
| **Net assets acquired** | |
| Intangibles | 20,513 |
| Property, plant and equipment | 15,832 |
| Inventories | 11,756 |
| Trade and other receivables | 17,642 |
| Bank overdraft | (850) |
| Trade and other payables | (28,742) |
| Deferred tax liabilities | (5,533) |
| **Net Assets** | 30,618 |
| Goodwill | 14,982 |
| **Total consideration** | 45,600 |
| Satisfied by: | |
| Cash | 25,100 |
| Loan notes | 20,495 |
| Shares issued | 5 |
| **Total consideration** | 45,600 |
| Net cash outflow arising on acquisition: | |
| Cash consideration | 25,100 |
| Bank overdraft acquired | 850 |
| **Net cash outflow** | 25,950 |

Professional deal fees of £1,530,000 incurred in effecting the acquisition were fully expensed during the year ended 30 April 2015. These costs are included in 'Administrative expenses'.

The amount of revenue and profit for Accrol Papers Limited from 1 May 2014 to 14 July 2014 was £19.2 million and £2.0 million respectively. The full year results of Accrol Papers Limited are included in the Combined and Consolidated results for the year ended 30 April 2015.

## 23. Explanation of transition to IFRS

This is the first time that the Group has presented its financial information under IFRS. The last financial information under UK GAAP was for the year to 30 April 2015 and the date of transition to IFRS was 1 May 2015. 2015 is the earliest period for which Accrol Group Holdings Limited has published UK GAAP financial information. The date of transition for Accrol Holdings Limited is 1 May 2012 as 2012 is the earliest period for which IFRS financial information is presented for Accrol Holdings Limited and for which it had previously published UK GAAP financial information.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' offers a number of exemptions from full retrospective application of applicable standards on transition to IFRS. Following a review of these exemptions it has been concluded the Group has taken advantage of the exemption not to adopt retrospective application of IFRS 3 'Business Combinations' to historic acquisitions prior to the date of transition to IFRS.

Set out below are the UK GAAP to IFRS consolidated statements of financial position reconciliations for Accrol Holdings Limited at 1 May 2012 (date of transition), 30 April 2013 and 30 April 2014 and Accrol Group Holdings Limited at 30 April 2015 (last financial information under UK GAAP) and profit reconciliation for Accrol Holdings Limited for the years ended 30 April 2013 and 30 April 2014. No reconciliation of the combined and consolidated Statement of Comprehensive Income has been included for Accrol Group

Holdings Limited for the year ended 30 April 2015 as no such statement has previously been published under UK GAAP for the Group.

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Financial Position as at 1 May 2012 of Accrol Holdings Limited**

| | *Note* | *UK GAAP £'000* | *IFRS adjustments £'000* | *IFRS £'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | a(i) | 10,967 | 189 | 11,156 |
| Intangible assets | b(ii),c | 3,972 | 227 | 4,199 |
| **Total non-current assets** | | 14,939 | 416 | 15,355 |
| *Current assets* | | | | |
| Inventories | d | 7,993 | 103 | 8,096 |
| Trade and other receivables | | 13,564 | – | 13,564 |
| Cash and cash equivalents | | 21 | – | 21 |
| **Total current assets** | | 21,578 | 103 | 21,681 |
| **Total assets** | | 36,517 | 519 | 37,036 |
| *Current liabilities* | | | | |
| Borrowings | a(ii) | 9,033 | 195 | 9,228 |
| Trade and other payables | e | 10,816 | 165 | 10,981 |
| Income taxes payable | f(iii) | 978 | – | 978 |
| **Total current liabilities** | | 20,827 | 360 | 21,187 |
| *Non-current liabilities* | | | | |
| Borrowings | | 3,958 | – | 3,958 |
| Deferred tax liabilities | f(ii) | 981 | – | 981 |
| **Total non-current liabilities** | | 4,939 | – | 4,939 |
| **Total liabilities** | | 25,766 | 360 | 26,126 |
| **Net assets** | | 10,751 | 159 | 10,910 |
| *Capital and reserves* | | | | |
| Issued capital | 3 | – | 3 | |
| Retained earnings | a(iii),b(i),c,d,e,f(i),f(ii),g | 10,748 | 159 | 10,907 |
| **Total equity shareholders' funds** | | 10,751 | 159 | 10,910 |

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Financial Position as at 30 April 2013 of Accrol Holdings Limited**

| | *Note* | *UK GAAP £'000* | *IFRS adjustments £'000* | *IFRS £'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | a(i) | 10,725 | 122 | 10,847 |
| Intangible assets | b(ii),c | 3,745 | 454 | 4,199 |
| **Total non-current assets** | | 14,470 | 576 | 15,046 |
| *Current assets* | | | | |
| Inventories | d | 7,944 | 186 | 8,130 |
| Trade and other receivables | | 19,057 | – | 19,057 |
| Cash and cash equivalents | | 551 | – | 551 |
| **Total current assets** | | 27,552 | 186 | 27,738 |
| **Total assets** | | 42,022 | 762 | 42,784 |
| *Current liabilities* | | | | |
| Borrowings | a(ii) | 11,353 | 129 | 11,482 |
| Trade and other payables | e | 9,242 | 209 | 9,451 |
| Income taxes payable | f(iii) | 886 | 9 | 895 |
| Derivative financial instruments | g | – | 80 | 80 |
| **Total current liabilities** | | 21,481 | 427 | 21,908 |
| *Non-current liabilities* | | | | |
| Borrowings | | 2,789 | – | 2,789 |
| Deferred tax liabilities | f(ii) | 1,073 | (19) | 1,054 |
| **Total non-current liabilities** | | 3,862 | (19) | 3,843 |
| **Total liabilities** | | 25,343 | 408 | 25,751 |
| **Net assets** | | 16,679 | 354 | 17,033 |
| *Capital and reserves* | | | | |
| **Total equity shareholders' funds** | a(iii),b(i),c,d,e,f(i),f(ii),g | 16,679 | 354 | 17,033 |

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Financial Position as at 30 April 2014 of Accrol Holdings Limited**

| | *Note* | *UK GAAP £'000* | *IFRS adjustments £'000* | *IFRS £'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | a(i) | 16,058 | 131 | 16,189 |
| Intangible assets | b(ii),c | 3,518 | 681 | 4,199 |
| **Total non-current assets** | | 19,576 | 812 | 20,388 |
| *Current assets* | | | | |
| Inventories | d | 9,124 | 25 | 9,149 |
| Trade and other receivables | | 23,700 | – | 23,700 |
| Cash and cash equivalents | | 21 | – | 21 |
| **Total current assets** | | 32,845 | 25 | 32,870 |
| **Total assets** | | 52,421 | 837 | 53,258 |
| *Current liabilities* | | | | |
| Borrowings | a(ii) | 13,853 | 138 | 13,991 |
| Trade and other payables | e | 8,951 | 231 | 9,182 |
| Income taxes payable | f(iii) | 819 | (33) | 786 |
| Derivative financial instruments | g | – | 428 | 428 |
| **Total current liabilities** | | 23,623 | 764 | 24,387 |
| *Non-current liabilities* | | | | |
| Borrowings | | 5,221 | – | 5,221 |
| Deferred tax liabilities | f(ii) | 1,124 | (83) | 1,041 |
| **Total non-current liabilities** | | 6,345 | (83) | 6,262 |
| **Total liabilities** | | 29,968 | 681 | 30,649 |
| **Net assets** | | 22,453 | 156 | 22,609 |
| *Capital and reserves* | | | | |
| **Total equity shareholders' funds** | a(iii),b(i),c,d,e,f(i),f(ii),g | 22,453 | 156 | 22,609 |

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Financial Position as at 30 April 2015 of Accrol Group Holdings Limited**

| | *Note* | *UK GAAP* *£'000* | *IFRS adjustments* *£'000* | *IFRS* *£'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | a(i) | 22,124 | 616 | 22,740 |
| Intangible assets | b(ii),c | 31,430 | 2,374 | 33,804 |
| Investments in subsidiaries | | – | – | – |
| **Total non-current assets** | | 53,554 | 2,990 | 56,544 |
| *Current assets* | | | | |
| Inventories | d | 9,306 | 75 | 9,381 |
| Trade and other receivables | | 19,301 | – | 19,301 |
| Cash and cash equivalents | | 735 | – | 735 |
| **Total current assets** | | 29,342 | 75 | 29,417 |
| **Total assets** | | 82,896 | 3,065 | 85,961 |
| *Current liabilities* | | | | |
| Borrowings | a(ii) | 11,834 | 631 | 12,465 |
| Trade and other payables | e | 16,824 | 319 | 17,143 |
| Income taxes payable | f(iii) | 498 | (42) | 456 |
| Derivative financial instruments | g | – | 1,455 | 1,455 |
| **Total current liabilities** | | 29,156 | 2,363 | 31,519 |
| *Non-current liabilities* | | | | |
| Borrowings | | 49,968 | – | 49,968 |
| Deferred tax liabilities | f(ii) | 1,539 | 3,445 | 4,984 |
| **Total non-current liabilities** | | 51,507 | 3,445 | 54,952 |
| **Total liabilities** | | 80,663 | 5,808 | 86,471 |
| **Net assets/(liabilities)** | | 2,233 | (2,743) | (510) |
| *Capital and reserves* | | | | |
| Issued capital | | 10 | – | 10 |
| Share premium | | 50 | – | 50 |
| Retained earnings/(deficit) | a(iii),b(i),c,d,e,f(i),f(ii),g | 2,173 | (2,743) | (570) |
| **Total equity shareholders' funds/(deficit)** | | 2,233 | (2,743) | (510) |

(a) ***IAS 17 – 'Leases'***

The Group reclassified leases previously treated as Operating leases to finance leases as they satisfied the recognition criteria outlined under IAS 17. This resulted in the following impact in the years under review as follows:

| | | *As at* | | | |
|---|---|---|---|---|---|
| | | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Tangible assets – recognition | (i) | 189 | 122 | 131 | 616 |
| Borrowings – recognition of lease liability | (ii) | (195) | (129) | (138) | (631) |
| **Net reduction in net assets resulting from IAS 17** | (iii) | (6) | (7) | (7) | (15) |

(b) ***IFRS3 'Business Combinations' – Intangible assets***

Under IFRS 3 'Business Combinations the Group is required an assessment of the fair value of any identifiable intangibles assets that exist at the date of acquisition and to also identify any transaction fees that were capitalised in determining the carrying value of goodwill in the acquisition accounting. The carrying value of goodwill is reduced by these amounts under IFRS3, the transaction fees being recognised in the income statement in the year of acquisition and the separately identified intangibles recognised as assets alongside goodwill. The recognition of these intangibles also gives rise to a deferred tax liability at the date of acquisition in July 2014 which will unwind as the intangible assets are amortised. The table below itemises the impact of goodwill during the year ended 30 April 2013 and subsequent periods.

| | | *As at* | | | |
|---|---|---|---|---|---|
| | | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Transaction fees expensed in the period | (i) | – | – | – | (1,530) |
| Recognition of identifiable intangibles on acquisition | | – | – | – | (20,508) |
| Deferred tax | | – | – | – | 4,290 |
| **Net reduction in goodwill carrying value resulting from IFRS3** | | – | – | – | (17,748) |
| Increase in other intangible assets carrying value under IFRS | | | | | 20,508 |
| **Net impact in intangibles carrying value resulting from IFRS3** | (ii) | – | – | – | 2,760 |

(c) ***IAS 38 'Intangible assets'***

*Amortisation of Intangible assets*

Under IAS 38 'Intangible Assets' goodwill is treated as an intangible asset with an indefinite useful life and is not amortised as such all amortisation recognised under the previous UK GAAP treatment must be written back. In addition, the intangible assets recognised in (b) do not have indefinite useful lives and as such give rise to amortisation in the years under review as follows:

| | | *As at* | | |
|---|---|---|---|---|
| | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Writeback of amortisation of goodwill (cumulative) | 227 | 454 | 681 | 1,305 |
| Amortisation of Intangibles recognised on acquisition (cumulative) | – | – | – | (1,691) |
| **Net increase/(decrease) due to amortisation under IAS 38** | 227 | 454 | 681 | (386) |

(d) ***IAS 2 – 'Inventories'***

Overheads absorbed have been re-evaluated to ensure compliance with IAS 2.

| | | *As at* | | |
|---|---|---|---|---|
| | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Overhead absorption | 103 | 186 | 48 | 91 |
| Supplier rebates absorption | – | – | (23) | (16) |
| **Net increase in inventories arising under IAS 2** | 103 | 186 | 25 | 75 |

(e) ***IAS 19 – 'Employee benefits'***

IAS 19 requires the accrual of unpaid holiday benefits.

| | | *As at* | | |
|---|---|---|---|---|
| | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Holiday pay accrual | (165) | (209) | (231) | (319) |

(f) ***IAS 12 – 'Income taxes'***

| | | As at | | | |
|---|---|---|---|---|---|
| | | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| **Deferred taxes** | | | | | |
| Net decrease/(increase) in deferred tax liabilities due to IFRS adjustments | (i) | – | 19 | 83 | 845 |
| Net decrease/(increase) in deferred tax following recognition of intangibles on acquisition | | – | – | – | (4,290) |
| **Net decrease/(increase) in deferred taxes** | (ii) | – | 19 | 83 | (3,445) |
| **Current taxes** | | | | | |
| Net (increase)/decrease in income taxes payable due to IFRS adjustments | (iii) | – | (9) | 33 | 42 |

(g) ***IAS 39 – 'Financial instruments'***

Under IFRS the group are required to recognise financial derivatives at fair value. However the group did not qualify for hedge accounting under IAS 39 ' Financial instruments' and as such all movements in fair value are recognised in the income statement. The net impact on net assets is as follows:

| | As at | | | |
|---|---|---|---|---|
| | *1 May 2012 £'000* | *30 April 2013 £'000* | *30 April 2014 £'000* | *30 April 2015 £'000* |
| Fair value of foreign currency contracts | – | (80) | (428) | (1,455) |

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Comprehensive Income for the year ended 30 April 2013 for Accrol Holdings Limited**

| | *Note* | *UK GAAP* *£'000* | *IFRS adjustments* *£'000* | *IFRS* *£'000* |
|---|---|---|---|---|
| Revenue | | 74,832 | – | 74,832 |
| Cost of sales | c,d,f | (53,769) | (41) | (53,810) |
| **Gross profit/(loss)** | | 21,063 | (41) | 21,022 |
| Administration expenses | a(i),b | (6,844) | 231 | (6,613) |
| Distribution costs | | (5,964) | – | (5,964) |
| **Operating profit** | | 8,255 | 190 | 8,445 |
| *Analysed as:* | | | | |
| – EBITDA[1] | | 9,392 | 111 | 9,503 |
| – Depreciation | a | (910) | (67) | (977) |
| – Amortisation | b | (227) | 227 | – |
| – Loss on derivative financial instruments | f | – | (81) | (81) |
| **Operating profit** | | 8,255 | 190 | 8,445 |
| Finance costs | a(ii) | (430) | (5) | (435) |
| **Profit before tax** | | 7,825 | 185 | 8,010 |
| Tax (charge)/credit | e | (1,897) | 10 | (1,887) |
| **Profit for the year attributable to equity shareholders** | | 5,928 | 195 | 6,123 |

*Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, loss/gain on derivative financial instruments and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.*

**UK GAAP to IFRS reconciliation of the Consolidated Statement of Comprehensive Income for the year ended 30 April 2014 for Accrol Holdings Limited**

| | *Note* | *UK GAAP* *£'000* | *IFRS adjustments* *£'000* | *IFRS* *£'000* |
|---|---|---|---|---|
| Revenue | | 87,662 | – | 87,662 |
| Cost of sales | c,d,f | (65,256) | (531) | (65,787) |
| **Gross profit/(loss)** | | 22,406 | (531) | 21,875 |
| Administration expenses | a(i),b | (7,162) | 231 | (6,931) |
| Distribution costs | | (7,264) | – | (7,264) |
| **Operating profit/(loss)** | | 7,980 | (300) | 7,680 |
| *Analysed as:* | | | | |
| – EBITDA[1] | | 9,314 | (107) | 9,207 |
| – Depreciation | a | (1,107) | (72) | (1,179) |
| – Amortisation | b | (227) | 227 | – |
| – Loss on derivative financial instruments | f | – | (348) | (348) |
| **Operating profit/(loss)** | | 7,980 | (300) | 7,680 |
| Finance costs | a(ii) | (614) | (4) | (618) |
| **Profit/(loss) before tax** | | 7,366 | (304) | 7,062 |
| Tax (charge)/credit | e | (1,590) | 104 | (1,486) |
| **Profit/(loss) for the year attributable to equity shareholders** | | 5,776 | (200) | 5,576 |

*Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, loss/gain on derivative financial instruments and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.*

*Notes to the Consolidated statements of comprehensive income*

(a) ***IAS 17 – 'Leases'***

The Group reclassified leases previously treated as operating leases to finance leases as they satisfied the recognition criteria outlined under IAS 17. This resulted in the following impact in the years under review as follows:

| | | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|---|
| Depreciation (P&L) | | (67) | (72) |
| Operating lease rental (P&L) | | 71 | 76 |
| **Net impact on Administrative expenses resulting from IAS 17** | (i) | 4 | 4 |
| Interest (P&L) | (ii) | (5) | (4) |

(b) ***IAS 38 – 'Intangible assets'***

Under IAS 38 'Intangible Assets' goodwill is treated as an intangible asset with an indefinite useful life and is not amortised, as such, all amortisation recognised under the previous UK GAAP must be written back. In addition the intangible assets recognised in (a) do not have indefinite useful lives and as such give rise to amortisation in the years under review as follows:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|
| Writeback of amortisation of goodwill | 227 | 227 |
| **Net increase due to amortisation under IAS 38** | 227 | 227 |

(c) ***IAS 2 – 'Inventories'***

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|
| Overhead absorption | 83 | (138) |
| Supplier rebates absorption | – | (23) |
| **Net increase/(reduction) in 'Cost of sales' under IAS 2** | 83 | (161) |

(d) ***IAS 19 – 'Employee benefits'***

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|
| Holiday pay accrual | (43) | (22) |

(e) ***Income taxes***

Other than the deferred tax arising on the recognition of separately identifiable intangibles there are income and deferred tax effects arising on recognition of the IFRS adjustments. The impact of taxes payable and deferred tax liabilities are as follows:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|
| Deferred taxes | 19 | 62 |
| Incomes taxes | (9) | 42 |
| **Net impact of recognition of IFRS adjustments** | 10 | 104 |

(f) ***Financial instruments***

(i) *IFRS adjustment – derivative financial instruments*

Under IFRS the Group are required to recognise financial derivatives at fair value. However the Group did not qualify for hedge accounting under IAS 39 ' Financial instruments' and as such all movements in fair value are recognised in the income statement. The net impact on net assets is as follows:

| | *Year ended 30 April 2013 £'000* | *Year ended 30 April 2014 £'000* |
|---|---|---|
| Fair value of foreign currency contracts | (81) | (348) |

***Cash flow statement***

The move from UK GAAP to IFRS does not change any of the cash flows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from the UK GAAP cash flow statement. All of the IFRS accounting adjustments net out within cash generated from operations except for the intangible assets reclassification and the inclusion of liquid investments with a maturity of less than three months on acquisition, together with related exchange adjustments, within cash and cash equivalents under IFRS.

## 24. Subsequent events

***Re-registration as Accrol Group Holdings plc***

On 26 May 2016, the Group issued a notice of intention to seek admission to AIM (the "Admission") through a share reorganisation in the parent company, Accrol Group Holdings Limited, and then re-registering it as a public limited company by the name of Accrol Group Holdings plc.

***Revolving Credit Facility agreement***

At 29 February 2016, the Group had borrowings under a committed bank loan facility of £4 million provided by HSBC plc, a factoring facility of £20 million and finance leases of £8 million. Subsequent to the period end, on 2 June 2016, Accrol UK entered into a new Revolving Credit Facility ("RCF"). The RCF is a 5 year £18 million facility with a day 1 expected draw down of £13.0 million. The RCF reduces to £10 million subject to the following profile:

30 April 2017: £16 million
30 April 2018: £14 million
30 April 2019: £12 million
30 April 2020: £10 million

The minimum drawing on the RCF is: £500,000 with the maximum number of outstanding drawings at any one time being 10. Interest is charged on the RCF at LIBOR plus a margin of 2.0 per cent. subject to the below ratchet:

≥2.0x Net Debt: EBITDA = 2.25 basis points
≥1.5x Net Debt: EBITDA = 2.00 basis points
≥1.0x Net Debt: EBITDA = 1.75 basis points
<1.0x Net Debt: EBITDA = 1.50 basis points

An arrangement fee of 1.5 per cent. of the RCF is payable at inception. An annual commitment fee of 40 per cent. of applicable margin on any undrawn RCF commitment is also payable. There is no commitment fee or ticking fee arising between signing and Admission. The facility is subject to financial covenants and each of Accrol Group Holdings Limited, Accrol UK Limited, Accrol Holdings Limited and Accrol Papers Limited will enter into a guarantee and the security each have previously granted in favour of HSBC shall remain in respect of all liabilities arising under the RCF agreement.

***Adoption of employee share plans***

On 1 June 2016, the Group adopted a Management Incentive Plan (MIP), which is conditional on Admission. Initially, there will be three participants in the MIP. Participation in the MIP will be at the discretion of the Board. It is also intended that, post Admission, further shares will be issued to a member or members of the senior team.

***Relationship agreements***

On Admission, Accrol Group Holdings plc will enter into two relationship agreements, the first with the Principal Shareholders (Majid Hussain, Wajid Hussain and Mozam Hussain) and the second with Northedge Capital Fund I LP and Northedge Capital I GP LLP (the “Northedge Capital Funds”). The principal purpose of the relationship agreements is to ensure that the Company will be capable of carrying on its business independently of each of the Principal Shareholders and the Northedge Capital Funds and their respective associates.

The relationship agreements contain undertakings from each of the Principal Shareholders and the Northedge Capital Funds that:

(i) transactions and relationships with them and their connected persons will be conducted at arm’s length and on a commercial basis;

(ii) neither them nor any of their connected persons will take any action that would have the effect of preventing the Company from complying with its obligations under the AIM Rules; and

(iii) neither them nor any of their connected persons will propose or procure the proposal of certain shareholder resolutions.

The relationship agreements will be effective as from Admission and remain in effect until:

(i) the Principal Shareholders cease to hold in aggregate a shareholding to which attaches in excess of 10 per cent. of the total voting shares in the Company from time to time; and

(ii) the Northedge Capital Funds cease to hold in aggregate a shareholding to which attaches in excess of 10 per cent. of the total voting shares in the Company from time to time (as the case may be).

***Share re-organisation***

On 1 June 2016 Accrol Group Holdings Limited issued 50 new A ordinary shares of £1 each and 50 new B ordinary shares of £1 each to Northedge Capital LLP and the Principal Shareholders (Majid Hussain, Wajid Hussain and Mozam Hussain) respectively. Accrol Group Holdings Limited undertook a bonus issue of 5 A, B, C or D ordinary shares for each existing A, B, C and D ordinary share, respectively, to existing shareholders financed from the share premium reserve in order to enable Accrol Group Holdings Limited to have a minimum nominal share capital of £50,000. The bonus shares were issued in the same proportions to the existing shareholdings. Each A, B, C and D ordinary share of £1 each was then sub-divided into, respectively, 1,000 A, B, C and D ordinary shares of £0.001 each. Immediately prior to Admission, Accrol Group Holdings Limited converted and re-designated the existing A, B, C and D shares of £0.001 each into ordinary shares of £0.001 each and deferred shares of £0.001 each. Immediately following Admission, Accrol Group Holdings Plc will purchase all of the deferred shares of £0.001 each in its capital for an aggregate consideration of £1.

# PART IV

## UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets for the Group set out below has been prepared on the basis set out in the notes below to illustrate the effect of the receipt of net proceeds of the Placing receivable by the Company and the refinancing on the net assets of the Group, had they taken place on 29 February 2016.

The unaudited pro forma information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The unaudited pro forma information does not constitute financial statements within the meaning of Section 434 of the Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV: "Unaudited Pro Forma Statement of Net Asset". The unaudited pro forma statement of net assets has been prepared on a basis consistent with the accounting policies of the Group which are under IFRS and on the basis set out in the notes below. It should be read in conjunction with the notes below.

The unaudited pro forma statement of net assets is compiled from the consolidated balance sheet of the Group as at 29 February 2016 as set out in Section B of Part III: "Historical Financial Information". In addition, the unaudited pro forma financial information does not purport to represent what the Group's financial position and results of operations actually would have been if the receipt of net proceeds of the Placing receivable by the Company and the refinancing had been completed on the dates indicated nor do they purport to represent the results of operations for any future period or the financial condition at any future date.

| | Group as at 29 February 2016 £'000 (Note[1]) | Net proceeds of the Placing receivable by the Company £'000 (Note[2]) | Refinancing £'000 (Note[3]) | Unaudited Pro Forma Total £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 21,558 | – | – | 21,558 |
| Intangible assets | 32,085 | – | – | 32,085 |
| **Total non-current assets** | 53,643 | – | – | 53,643 |
| **Current assets** | | | | |
| Inventories | 12,027 | – | – | 12,027 |
| Trade and other receivables | 20,266 | – | – | 20,266 |
| Derivative financial instruments | 94 | – | – | 94 |
| Cash and cash equivalents | 4,232 | 41,428 | (47,088) | (1,428) |
| **Total current assets** | 36,619 | 41,428 | (47,088) | 30,959 |
| **Total assets** | 90,262 | 41,428 | (47,088) | 84,602 |
| **Non-current liabilities** | | | | |
| Borrowings | (49,456) | – | 36,456 | (13,000) |
| Deferred tax liabilities | (4,632) | – | – | (4,632) |
| **Total non-current liabilities** | (54,088) | – | 36,456 | (17,632) |
| **Current liabilities** | | | | |
| Borrowings | (18,111) | – | 8,011 | (10,100) |
| Trade and other payables | (13,009) | – | 2,621 | (10,388) |
| Income taxes payable | (436) | – | – | (436) |
| **Total current liabilities** | (31,556) | – | 10,632 | (20,924) |
| **Total liabilities** | (85,644) | – | 47,088 | (38,556) |
| **Net assets** | 4,618 | 41,428 | – | 46,046 |

*Notes:*

(1) The financial information has been extracted, without material adjustment, from the consolidated financial information of the Group as at 29 February 2016 as set out in *Section B of Part III: "Historical Financial Information"*.

(2) This column reflects the net proceeds of the Placing receivable by the Company being gross proceeds of £43.3 million receivable by the Company, less estimated fees and expenses in relation to the Placing of £1.9 million payable by the Company.

(3) This column reflects the refinancing that is taking place in connection with the Proposals, being the repayment of the bank overdraft and existing external bank loan, together £4,383k as of 29 February 2016, (of which £2,926k is classified within non-current liabilities and £1,457k is classified within current liabilities as of 29 February 2016), the repayment of finance leases of £8,515k as of 29 February 2016 (of which £5,444k is classified within non-current liabilities and £3,071k within current liabilities as of 29 February 2016), the repayment of existing shareholder loans of £41,086k as of 29 February 2016 (which is classified within non-current liabilities), the repayment of £2,621k of accrued interest thereon (which is classified within current liabilities) and a reduction in the Factoring Facility from £13.6 million as of 29 February 2016 to £10.1 million. These repayments will be funded using the net proceeds of the Placing, a drawdown of £13.0 million available under the new RCF and utilising £1,428k of the existing overdraft facility. These adjustments do not take account of any movements in these balances subsequent to 29 February 2016.

(4) No adjustment has been made to take account of trading results or other transaction undertaken by the Group since 29 February 2016.

# PART V

# ADDITIONAL INFORMATION

## 1. Responsibility

The Directors and the Proposed Directors, whose names appear on page 9 of this Document, and the Company accept responsibility both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company, the Directors and the Proposed Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## 2. The Company

2.1 The Company was incorporated and registered in England and Wales on 30 April 2014 under the Act with registered number 9019496 as a private company limited by shares with the name Aghoco 1220 Limited. The name of the Company was changed to Accrol Group Holdings Limited on 1 August 2014. The Company was re-registered as a public limited company with the name Accrol Group Holdings plc on 1 June 2016. The Company, and the Group, trade under the name "Accrol Papers".

2.2 The Company's legal name as at the date of this Document is Accrol Group Holdings plc.

2.3 The governing document of the Company is its Articles, which are summarised in paragraph 5 of this Part V of this Document. The primary company legislation under which the Company operates is, and the share capital of the Company was created under, the Act and regulations made under it.

2.4 The registered office of the Company is at Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD (telephone number +44(0)1254 278844). The Company is domiciled in the UK for tax purposes.

2.5 The liability of the members of the Company is limited by shares.

2.6 The Company is the ultimate holding company of the Group. The following table contains details of the Company's principal subsidiaries and joint venture companies:

| *Company name* | *Country of incorporation* | *Percentage ownership* |
|---|---|---|
| Accrol UK Limited | England & Wales | 100% by the Company |
| Accrol Holdings Limited | England & Wales | 100% by Accrol UK Limited |
| Accrol Papers Limited | England & Wales | 100% by Accrol Holdings Limited |

2.7 The address of the Company's website, which, from Admission, will disclose information required by Rule 26 of the AIM Rules, is www.accrol.co.uk.

## 3. Share capital of the Company

3.1 The issued share capital of the Company as at the date of this Document is:

| *Class of shares* | *Nominal value (per share)* | *Issued (fully paid)* |
|---|---|---|
| Ordinary Shares | £0.001 | 49,683,858 |
| Deferred Shares | £0.001 | 27,476,142 |

3.2 The issued share capital of the Company immediately following the Placing and Admission is expected to be as follows:

| *Class of shares* | *Nominal value (per share)* | *Issued (fully paid)* |
|---|---|---|
| Ordinary Shares | £0.001 | 93,012,002 |
| Deferred Shares | £0.001 | 27,476,142 |

The issued share capital of the Company immediately following the Placing and Admission will consist of the Existing Ordinary Shares (which includes the Vendor Placing Shares) and the Placing Shares.

3.3 The Placing Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the Ordinary Shares from Admission.

3.4 The history of the Company's share capital from incorporation is as follows:

(a) on incorporation, the issued share capital of the Company was £1 divided into 1 ordinary share of £1;

(b) pursuant to a resolution passed on 14 July 2014, the issued ordinary share of £1 was re-designated as an A ordinary share of £1;

(c) on 14 July 2014, the Company issued, credited as fully paid, 4,624 A ordinary shares of £1 each, 4,625 B ordinary shares of £1 each and 200 C ordinary shares of £1 each;

(d) on 10 September 2014, the Company issued, credited as fully paid, 100 C ordinary shares of £1 each;

(e) on 4 March 2015, the Company issued, credited as fully paid, 350 C ordinary shares of £1 each and 2,860 D ordinary shares of £1 each;

(f) on 1 June 2016, the Company passed a resolution to issue, credited as fully paid, 50 A ordinary shares of £1 each and 50 B ordinary shares of £1 each;

(g) on 1 June 2016, the Company passed a resolution to issue by way of bonus shares, credited as fully paid, 23,375 A ordinary shares of £1 each, 23,375 B ordinary shares of £1 each, 3,250 C ordinary shares of £1 each and 14,300 D ordinary shares of £1 each;

(h) on 1 June 2016, the Company passed a resolution to subdivide:

28,050 A ordinary shares of £1 each into 28,050,000 A ordinary shares of £0.001 each;

28,050 B ordinary shares of £1 each into 28,050,000 B ordinary shares of £0.001 each;

3,900 C ordinary shares of £1 each into 3,900,000 C ordinary shares of £0.001 each; and

17,160 D ordinary shares of £1 each into 17,160,000 D ordinary shares of £0.001 each;

(i) on 1 June 2016, the Company passed a resolution to convert the entire issued share capital of the Company into 27,476,142 deferred shares of £0.001 each and 49,683,858 ordinary shares of £0.001 each; and

(j) on 1 June 2016, the Company passed resolutions and entered into a share buyback contract with each member of the Company to buy back, on 11 July 2016, all of the deferred shares of £0.001 each held by each member, buying back in aggregate, 27,476,142 deferred shares of £0.001 each for an aggregate consideration price of £1.

3.5 As at 1 May 2015 and 30 April 2016, the issued share capital of the Company consisted of 4,625 A ordinary shares of £1 each, 4,625 B ordinary shares of £1 each, 650 C ordinary shares of £1 each and 2,860 D ordinary shares of £1 each.

3.6 The Placing Shares will be issued in accordance with resolutions of the Company passed on 1 June 2016 which:

(a) generally and unconditionally authorise the directors in accordance with section 551 of the Companies Act to allot Ordinary Shares up to an aggregate nominal amount of:

(i) £43,328.15 in respect of the Placing Shares; and

(ii) generally following Admission up to £31,004 (representing one third of the issued Ordinary Share capital on Admission)

such authority to expire on 1 September 2017 or, if earlier, at the conclusion of the next annual general meeting of the Company; and

(b) empower the directors pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act), pursuant to the authority referred to in paragraph 3.6(a) above, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power:

(i) is limited to the allotment of equity securities with an aggregate nominal value of:

(A) £43,328.15 in respect of the Placing Shares; and

(B) otherwise £9,301 (representing one tenth of the issued Ordinary Share capital on Admission); and

(ii) shall expire on 1 September 2017 or, if earlier, at the conclusion of the next annual general meeting of the Company.

3.7 Application has been made for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on, and no application had been or is being made for the admission of the Ordinary Shares to listing or trading on, any other stock exchange or securities exchange or market.

3.8 Save as disclosed in this paragraph 3 and paragraphs 4 and 12.3 below, as at the date of this Document:

(a) the Company does not hold any treasury shares (i.e. shares in the Company held by the Company) and no Ordinary Shares were held by, or on behalf of, any member of the Group;

(b) the Company has no outstanding convertible securities, exchangeable securities or securities with warrants;

(c) the Company has given no undertaking to increase its share capital; and

(d) no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

3.9 The Existing Ordinary Shares will be diluted by the allotment and issue of the Placing Shares. The Placing Shares represent 46.6 per cent. of the Enlarged Ordinary Share Capital.

3.10 The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares increases the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the total voting rights in the Company, the acquirer (and, depending on the circumstances, its concert parties) would be required, except with the consent of the UK Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the total voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights.

3.11 Under the Act, if an offeror acquires 90 per cent. of the Ordinary Shares not already held by the offeror within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

3.12 The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares not already held by the offeror, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

3.13 The Ordinary Shares are denominated in Sterling. The nominal value of the Ordinary Shares is £0.001.

3.14 The expected issue date of the Placing Shares is 10 June 2016.

## 4. Share Options

### 4.1 *MIP*

On Admission, three participants selected from the senior management team ("Participants") will subscribe for A ordinary shares in Accrol UK ("MIP Shares"). Subject to a number of provisions described below, the MIP Shares can in future be sold to the Company pursuant to the provisions of the articles of association of Accrol UK for an aggregate value equivalent to 12 per cent. of the increase in shareholder value ("Relevant Percentage") over a Company share price hurdle. The hurdle will be set at a premium of 30 per cent. to the share price of the Company on Admission ("Hurdle").

It is also intended that, post Admission, further shares in Accrol UK will be issued to a member or members of the senior management team which will entitle them to an aggregate value equivalent to 3 per cent. of the increase in shareholder value ("Relevant Percentage") over a Company share price hurdle set at an amount not less than the Hurdle. (These shares are also referred to as "MIP Shares").

The MIP Shares are not entitled to receive a dividend which shall be paid at the same time as any dividend is declared on the Accrol UK ordinary shares. The MIP share dividend is equal to 1 per cent. above the Bank of England base rate when applied to the nominal value of each MIP Share.

The MIP Shares will have voting rights such that each holder of MIP Shares will have a 5 per cent. voting right (the votes for the MIP Shares as a whole will be capped at 25 per cent.).

Management have the right to sell their MIP Shares to the Company at the end of a period (a three year period from the date of award, referred to as the "Vesting Period") and the date on which they exercise this right is referred to as the "Exercise Date". The Company will also have a corresponding call right at the end of the Vesting Period.

An "Initial Put Option" also attaches to the MIP Shares. The Initial Put Option gives management the right to sell their MIP Shares to the Company in the first 30 days post acquisition for an amount of £2,000.

The value of the MIP Shares at the Exercise Date will be the Relevant Percentage multiplied by the amount by which the Ordinary Share price exceeds the Hurdle, multiplied by the number of Ordinary Shares in issue on Admission.

The Company may, at its discretion, purchase the MIP Shares for cash or by way of the issue of Ordinary Shares as consideration.

If the MIP Shares have not been purchased by the Company by the specified Long Stop Date, the Company has the ability to buy back the MIP Shares at nominal value.

### 4.2 *Leavers*

During the Vesting Period, if a participants ceases to be a director or employee of a member of the Group other than in certain "Good Leaver" circumstances, participants can be required to transfer their MIP Shares at the lower of fair value and the cost value of the MIP Shares (subject to a minimum amount of £2,000). A Good Leaver is someone who ceases employment as a result of death, ill health, injury or disability evidenced to the satisfaction of the Board with RC Consent; retirement at the normal retirement age in accordance with the Group's internal policies; or any other reason the Board (acting with RC Consent) permits.

If the participant's employment is deemed to have ceased in any of these "Good Leaver" circumstances, they will be permitted to retain their MIP Shares (subject to the vesting point below) until the expiry of the normal Vesting Period. They will then be able to transfer their MIP Shares to the

Company at their fair value, pro-rated by reference to the period of employment as a proportion of the Vesting Period. The Company will have flexibility to buy back the relevant proportion of MIP Shares that have not vested, at cost (subject to a minimum amount of £2,000), at the end of the Vesting Period or at an earlier date.

4.3 ***Dilution Limit***

The number of Ordinary Shares that can be issued to participants in the MIP cannot exceed 8 per cent. of the issued ordinary share capital of the Company on the Exercise Date (or such cash value as that represents at the time of the Exercise Date and, in the event of multiple Exercise Dates, including Ordinary Shares issued or cash amounts paid on earlier Exercise Dates).

4.4 ***Corporate events***

Holders of MIP Shares would be permitted to sell all of their MIP Shares for fair value on a third party obtaining control of the Company (either to the Company or the third party purchaser). The holders of MIP Shares would be entitled to receive fair value for their MIP Shares on an asset sale and on a return of assets on a liquidation.

4.5 ***Adjustments***

The Accrol Board, acting with RC Consent, has the absolute discretion to rebase or adjust the Hurdle, the Relevant Percentage, and/or the definition of fair value on the occurrence of adjustment events (including a further issue of Ordinary Shares, any acquisition or disposal by or out of the Group of any company, a special dividend, business or assets or new financing or refinancing arrangements) provided that the adjustment is made on a just and reasonable basis and with a view to ensuring that the MIP Shares are not disadvantaged or benefited by the adjustment.

4.6 ***Awards not pensionable***

No awards or benefits under the MIP are pensionable.

4.7 ***Other employee share plans***

No other employee share plans will be adopted at the time of Admission.

The Company may, in the future, look to introduce an employee share plan for the broader employee base. It is not clear what form this employee share plan would take but, if introduced, no options or awards would be granted if, as a result, the number of Ordinary Shares issued or issuable pursuant to awards granted during the previous ten years under such plan, or any other employees' share scheme adopted by the Company (including the MIP), would exceed ten per cent. of the share capital of the Company in issue on that date.

For the purposes of the limit set out above:

- any Ordinary Shares which were subject to an award or other right which has lapsed or been surrendered will not count towards the limits set out above;
- any Ordinary Shares issued or then capable of being issued pursuant to any awards or rights obtained prior to Admission shall not count towards the limits set out above;
- where an award (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust for the purposes of any employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (under any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

## 5. Articles of Association

The Articles, which were adopted by the Company on 1 June 2016, contain provisions to the following effect:

### 5.1 *Objects*

The Articles do not provide for: (i) any objects of the Company and accordingly the Company's objects are unrestricted; or (ii) any purposes for which the Company was established.

### 5.2 *Share rights*

5.2.1 *Share capital*

The share capital of the Company is comprised of Ordinary Shares and Deferred Shares.

5.2.2 *Dividends*

Any dividend declared will be distributed amongst the holders of the shares pro rata to their respective holdings save that the Deferred Shares will not entitle their holders to the payment of any dividends or other distributions.

5.2.3 *Voting*

All members holding shares:

(a) shall be entitled to receive notice of and to attend and speak at any general meeting of the Company; and

(b) who (being individuals) are present in person or by proxy or (being a corporation) are present by duly authorised representatives or by proxy shall, on a show of hands, have one vote each, and, on a poll shall have one vote each for each share of which he is the holder,

save that the Deferred Shares will not entitle their holders to receive notice of a general meeting of or to attend, speak or vote at it, or to receive, or to exercise voting rights in respect of, any written resolution of the Company.

5.2.4 *Return of capital*

On a return of capital on liquidation or capital reduction or otherwise, the surplus assets of the Company remaining after payments of its liabilities shall be applied in the following manner and order of priority:

(a) firstly, in paying to the members holding Deferred Shares as a class the aggregate sum of £1 to be allocated as between them pro rata to their holding of the class; and

(b) thereafter, the balance of such assets shall be distributed as between the holders of the Ordinary Shares *pro rata* to their respective holdings.

5.2.5 *Purchase of Deferred Shares*

The Company may purchase at any time hereafter the Deferred Shares from each holder of Deferred Shares for the aggregate consideration of £1 for the entire class of Deferred Shares.

5.2.6 *Share issues*

Subject to any rights attached to any existing shares, any share may be issued with or have attached to it such rights or restrictions as the Company may by ordinary resolution decide or, so far as the resolution does not make specific provision or if no such resolution has been passed, as the Board may decide.

Subject to company legislation, any share may be issued which is to be redeemed, or is to be liable to be redeemed at the option of the Company or the holder, on such terms and conditions and in such manner as the Board may decide.

5.3 ***Share class rights***

The rights attached to any class of shares may be varied with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of the class.

5.4 ***Share transfers***

5.4.1 Subject to the Articles, a member may transfer all or any of his shares:

(i) in the case of certificated shares, by an instrument of transfer in writing in any usual form or in another form approved by the Board signed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee; or

(ii) in the case of uncertificated shares, without a written instrument in accordance with the CREST Regulations.

5.4.2 The Company may refuse to register a transfer of certificated shares unless:

(i) the instrument of transfer is properly stamped or is certified or otherwise shown to the Board's satisfaction to be exempt from stamp duty and is presented for registration to the Company at its registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a person to whom the Company was not required to issue a share certificate and has not issued one in respect of the share concerned) and any other evidence as the Board may require to show the right of the person signing the instrument to make the transfer or, if the instrument is signed by some other person on his behalf, the authority of such person to do so;

(ii) all the shares to which it relates are fully paid and of the same class; and

(iii) it is in favour of a single transferee or not more than four joint transferees, in each case being a natural or legal person.

5.5 ***Dividends***

All dividends on shares are to be paid according to the amounts paid up (otherwise than in advance of calls) on their nominal value, or otherwise in accordance with the terms concerning entitlement to dividends on which shares were issued. All unclaimed dividends may be made use of by the Board for the Company's benefit until claimed. Any dividend unclaimed for twelve years shall revert to the Company.

5.6 ***General meetings***

5.6.1 Every member who is present at a general meeting in person or by proxy is entitled to one vote on a resolution put to the meeting on a show of hands (except that a proxy has one vote for and one vote against the resolution if he has been duly appointed by more than one member entitled to vote on the resolution and has been instructed (or exercises a discretion given) by one or more of those members to vote for it and by one or more other of those members to vote against it) and to one vote for every share of which he is the holder on a resolution put to the meeting on a poll. The vote of the senior of joint holders who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders appear in the Company's register of members in respect of the joint holding.

5.6.2 The Articles require the Board to convene annual general meetings in accordance with company legislation. The Board may convene a general meeting which is not an annual general meeting whenever and wherever it considers appropriate. The Company is required to give notice of a general meeting to each member (other than one who, under the Articles or any restrictions imposed on any shares, is not entitled to receive it or to whom the Company has not sent and is not required to send its latest annual accounts and reports) at a time and date selected by the Board in accordance with the Articles and company legislation, to the Directors on the date of the notice and to the Auditors on that date.

5.6.3 A member who is entitled to attend and vote at a general meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and to vote at the meeting.

5.6.4 A corporation which is a member may, by resolution of its directors or other governing body, authorise one or more persons as it thinks fit to act as a representative for it at any general meeting of the Company. The Company may require such a representative to produce a certified copy of the authorising resolution or such other reasonable evidence of his authority before permitting him to exercise any powers on the corporation's behalf at the meeting.

5.7 ***Interests in shares not disclosed to the Company***

If the Company gives notice under section 793 of the Act in relation to any shares to a member or another person appearing to be interested in such shares and the recipient fails to give the Company the information required within fourteen days afterwards, the holder of such shares is not entitled to attend or vote at a general meeting or exercise any other rights in respect of them in relation to a general meeting or a poll. Where such shares represent at least 0.25 per cent. of the issued shares of their class (i) the Company may withhold payment of any dividend or other distribution or amount payable in respect of them, (ii) the member is not entitled to elect to receive shares instead of a dividend, and (iii) the Board may refuse to register the transfer of any such shares unless (1) the member is not himself in default in supplying the information required and proves to the satisfaction of the Board that no person in default of supplying the information required is interested in any shares which are the subject of the transfer or (2) the transfer is shown to the Board's satisfaction to be made by a member to a third party unconnected with that member or with any other person appearing to be interested in the shares and made pursuant to (A) an acceptance of a takeover offer, (B) a sale through a recognised investment exchange or any other securities investment exchange outside the United Kingdom on which (in either case) such shares have been admitted to trading on the Company's application or (C) a sale of the whole of the beneficial interest in the shares.

5.8 ***Return of capital***

On a winding up of the Company and subject to company legislation, the Company's assets available for distribution shall be divided among the members in proportion to the nominal amounts of capital paid up on their shares, subject to the terms of issue of or rights attached to any shares.

5.9 ***Lien and forfeiture***

5.9.1 The Company has a first and paramount lien on each partly paid share for all amounts payable to the Company (whether due or not) in respect of such share. The Board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

5.9.2 Subject to the terms on which shares are allotted, the Board may make calls on members in respect of any money unpaid on their shares. Each member shall (subject to receiving at least 14 days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

5.10 ***Board powers***

5.10.1 The Company's business is to be managed by the Board. The Board may exercise all the Company's powers and may do on the Company's behalf all such acts as may be done by it or on its behalf and which are not required to be exercised or done by the Company in general meeting subject (in all cases) to company legislation, the Articles and any direction that the Company gives to the Board by passing a special resolution.

5.10.2 The Board may delegate any of its powers under the Articles and any other of its powers that can be delegated:

(i) to such person or persons or to any Board committee;

(ii) to such an extent (including in relation to any matter or any territory, region or country);

(iii) on such terms and subject to such conditions;

(iv) for such period or indefinitely; and

(v) by such means,

as the Board considers appropriate.

5.10.3 The Board may:

(i) grant to any person or persons or to any Board committee to whom it delegates any power the power to sub-delegate that power (with or without a power of further sub-delegation) to one or more persons or to a sub-committee;

(ii) retain or exclude the right of the Board to exercise any delegated power collaterally with the person or persons or the Board committee to whom it has been delegated; and

(iii) revoke the delegation or alter its terms or conditions.

5.11 ***Directors – appointment, retirement and removal***

5.11.1 At any one time the total number of Directors may not be less than two. This limit may be changed by ordinary resolution of the Company. The Company may by ordinary resolution appoint as a Director a person who is willing to act as such provided that:

(i) notice is given of the resolution identifying the person concerned by name; and

(ii) if that person is not recommended for appointment by the Board, the Company receives at the registered office that person's written confirmation of his willingness to be appointed as a Director at least seven days before the date appointed for the holding of the general meeting at which the resolution is to be considered.

The Board may appoint as a Director any person who is willing to act as such.

5.11.2 At each annual general meeting:

(i) each person who is a Director on a date selected by the Board in relation to an annual general meeting that is not more than 14 days before, and no later than, the date of the notice of that meeting (the "**selection date**") and was appointed as such after the previous annual general meeting is to be proposed for election as a Director;

(ii) each other person who is a Director on the selection date and has remained as such without being appointed or elected or re-elected as such at one of the two previous annual general meetings is to be proposed for re-election as a Director; and

(iii) if the Board so decides, any other person selected by the Board who is a Director on the selection date can be proposed for re-election as a Director,

provided that, in each case, the person concerned is a Director immediately before the commencement of the meeting and has confirmed to the Board that he is willing to continue as a Director.

5.11.3 If a resolution for the election or re-election as a Director of any person who was a Director at the commencement of an annual general meeting is put to vote at that meeting but not passed, that person will remain in office until the meeting appoints someone in his place or (if it does not do so) until the end of the meeting, when (subject to the next paragraph) he will cease to be a Director.

5.11.4 If at the end of an annual general meeting there would otherwise be no Directors, each person to whom the previous paragraph applies:

(i) shall remain in office as a Director until someone else who was not a Director at the commencement of that meeting is appointed as a Director by the Company in general meeting, when he will cease to be a Director; and

(ii) may, in his capacity as a Director for so long as he remains in office in accordance with this paragraph, act (with any other persons to whom this paragraph applies as the Board) only:

(A) for the purposes of convening and holding a general meeting to appoint Directors; and

(B) as he considers necessary or appropriate in order to comply with any legal or regulatory requirement applicable to the Company or the Directors or to him as a Director.

5.11.5 The Company may by special resolution, or by ordinary resolution of which special notice has been given in accordance with company legislation, remove any Director before the expiration of his period of office.

5.12 ***Directors – fees and remuneration***

5.12.1 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. An executive Director may receive from the Company, in addition to or instead of such fees, salary or other remuneration.

5.12.2 The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the discharge of their duties as Directors, including any professional fees incurred by him.

5.12.3 The Board may provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances for persons who are or were directors of the Company and their relatives and dependants.

5.13 ***Directors' interests***

5.13.1 A Director is not required (provided he has disclosed his interest in the matter to the other Directors in accordance with the Act (if that Act obliges him to do so)) to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with (i) being a party to or otherwise interested in any arrangement or transaction with the Company or in which the Company is otherwise interested, (ii) holding any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and on such terms, including as to remuneration, as the Board may decide, (iii) acting by himself or through a firm with which he is associated in a professional capacity for the Company or any body corporate in which the Company is interested (other than as auditor), or (iv) being a director or other officer of, or employed by or otherwise interested in any body corporate in which the Company or any other undertaking in the group comprising the Company and its subsidiary undertakings (not including any parent undertaking of the Company) (a "**Group Undertaking**") is interested or which has an interest in the Company or in any other Group Undertaking. A Director or former Director will not be accountable to the Company for any benefit provided to him or his dependants in accordance with any provision in the Articles.

5.13.2 A Director shall not vote or be counted in the quorum on any resolution of the Board concerning any contract in which he has an interest (and, if he votes on it, his vote is not to be counted) unless that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or only arises from or relates to one or more of the following matters:

(i) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of any member of the Group (a "Group Undertaking");

(ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of a Group Undertaking for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) an offer of securities by a Group Undertaking in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) a contract with or relating to another company in which he does not have to his knowledge an interest (as that term is used in Part 22 of the Act) in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights in, such company;

(v) an arrangement for the benefit of employees of any Group Undertaking which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(vi) insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including any Director; or

(vii) a proposal for the Company (1) to provide him with an indemnity permitted by company legislation, (2) to provide him with funds in circumstances permitted by company legislation to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by company legislation, or (3) to do anything to enable him to avoid incurring any such expenditure.

5.13.3 The Board may authorise any situation or matter relating to a particular Director to which section 175 of the Act (on "Duty to avoid conflicts of interest") applies (each a "Conflict Matter") on such terms as they think fit. For the Board to do so, a Director must propose to the Board that the Conflict Matter concerned be so authorised. The Board may terminate or withdraw any such authorisation by giving notice to the Director concerned. Any terms to which such an authorisation is made subject may include that the Director concerned (i) is not obliged to disclose to the Company confidential information obtained by him (other than in his capacity as its Director or as its employee or agent or, if the Directors so decide, in any other capacity that would otherwise oblige him to disclose it to the Company) in any situation to which such authorisation applies, nor to use any such information directly or indirectly for the Company's benefit, where to do so would amount to a breach of a duty of confidence to any third party, where the Director concerned has previously disclosed to the Board the existence of the conflict and the third party's identity, and (ii) may absent himself from any Board discussions, and make arrangements not to receive documents and information, relating to the Conflict Matter concerned for so long as he reasonably believes that he has or may have a conflict of interest in respect of it.

5.14 ***Directors' indemnity and insurance***

Subject to company legislation, the Company may:

5.14.1 indemnify any Director or any director of any associated company against any liability pursuant to any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision, or on any other basis as is lawful, in each case on such terms as the Board may decide; and

5.14.2 purchase and maintain for any Director or any director of any associated company insurance against any liability.

5.15 ***Borrowing powers***

The Board may exercise all the Company's powers to borrow money and to mortgage or charge all or part of its undertaking, property and assets (present or future) and uncalled capital and to issue debentures and other securities and to give security, whether outright or as collateral for a debt, liability or obligation of the Company or of a third party.

5.16 ***Untraced shareholders***

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal and, on those shares, no dividend is cashed and no dividend is paid on them through a completed funds transfer following such advertisement. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

## 6. Directors' and Proposed Directors' interests in the Company

6.1 Save as disclosed in this paragraph 6, none of the Directors nor any of the Proposed Directors nor any other member of their respective families is, or following Admission will be, interested in any share capital of the Company. In this paragraph 6, family has the meaning given in the glossary to the AIM Rules.

6.2 As at the date of this Document and immediately following Admission, the beneficial and non-beneficial interests in Ordinary Shares of the Directors and the Proposed Directors, and of other members of their respective families, are and will be as follows:

| | *As at the date of this Document* | | *On Admission* | |
|---|---|---|---|---|
| *Name* | *Number of Ordinary Shares* | *Percentage of issued Ordinary Share capital* | *Number of Ordinary Shares* | *Percentage of Enlarged Ordinary Share Capital* |
| Peter Cheung* | 1,223,365 | 2.5 | 611,683 | 0.7 |
| James Flude** | 489,359 | 1.0 | 244,680 | 0.3 |
| Stephen Crossley*** | Nil | Nil | – | – |
| Joanne Lake | Nil | Nil | 25,000 | 0.0 |
| Stephen Hammett | Nil | Nil | – | – |

**On Admission, Peter Cheung will subscribe for MIP Shares, which entitle him to 3.75% of value over the Hurdle*
***On Admission, James Flude will subscribe for MIP Shares, which entitle him to 3.75% of value over the Hurdle*
****On Admission, Stephen Crossley will subscribe for MIP Shares, which entitle him to 4.5% of value over the Hurdle*

Further details of the MIP shares are contained in paragraph 4 above.

6.3 **Related party transactions**

(a) ***Leases with related parties***

Accrol Papers Limited is party to leases of several properties from Phoenix Court Blackburn Limited, which is owned or controlled by the Hussain family, as follows:

(i) *Lease of Alpha Premises*

Phoenix Court, Davyfield Road, Roman Road Industrial Estate, Blackburn BB1 2LU is leased pursuant to a 15 year lease which commenced on 16 December 2010 at an annual rent of £300,000 plus VAT per annum. There are rent reviews on 1 October 2013, 1 October 2016, 1 October 2019 and 1 October 2022. The rent is reviewed upwards only on open market terms taking into account usual assumptions and disregards. The hypothetical term on review is the longer of (1) the unexpired residue of the term at the review date or (2) 10 years commencing on the review date. If the revised rent cannot be agreed, both the landlord and the tenant may appoint an independent valuer to act as an expert, to determine the rent. When the rent has been determined, the tenant is to pay to the landlord the shortfall in rent plus interest on the shortfall calculated on a daily basis. By a letter dated 16 November 2013 from Phoenix Court Blackburn Limited, the rent was to be increased to £414,000 per annum following significant extension to the Premises to be completed in May 2015. This took effect from 1 July 2015. The lease does not contain a break clause.

(ii) *Lease of Beta Premises*

Unit 1/1a Davyfield Road (formerly known as Rothwell Road), Roman Road Industrial Estate, Blackburn BB1 2LU is leased pursuant to a 10 year lease which commenced on 15 April 2014 at an annual rent of £300,000 plus VAT per annum. There are rent reviews on 25 March 2015, 25 March 2018, 25 March 2021 and 25 March 2024. The rent is reviewed upwards only on open market terms taking into account usual assumptions and disregards. The hypothetical term on review is the longer of (1) the unexpired residue of the term at the review date or (2) 10 years commencing on the review date. By a letter dated 16 November 2013 from Phoenix Court Blackburn Limited, the rent was to be increased to £414,000 per annum following significant extension to the Premises. This took effect from 1 January 2015. It was agreed that the 2015 rent review would be passed up. The lease does not contain a break clause.

(iii) *Lease of Delta Premises*

Unit 1 Roman Road Industrial Estate, Blackburn BB1 2LU is leased pursuant to a 13 year lease which commenced on 10 January 2012 at an annual rent of £600,000 plus VAT per annum. There are rent reviews on 1 January 2014, 1 January 2017, 1 January 2020 and 1 January 2023. The rent is reviewed upwards only on open market terms taking into account usual assumptions and disregards. The hypothetical term on review is the longer of (1) the unexpired residue of the term at the review date or (2) 10 years commencing on the review date. The lease does not contain a break clause. On 14 April 2016 it was agreed to release a small parcel of land from the lease, that was not used nor intended to be used by the Company.

(iv) *Lease of Gamma Premises*

Accrol Papers Unit, Davyfield Road (formerly known as Rothwell Road), Roman Road Industrial Estate, Blackburn BB1 2LU is leased pursuant to a 13 year lease which commenced on 11 October 2011 at an annual rent of £120,000 plus VAT per annum, which increased to £300,000 plus VAT per annum on 1 January 2014 and further increased to £312,000 plus VAT per annum on 1 January 2015. There are rent reviews on 1 October 2014, 1 October 2017 and 1 October 2020. The rent is reviewed upwards only on open market terms taking into account usual assumptions and disregards. The hypothetical term on review is the longer of (1) the unexpired residue of the term at the review date or (2) 10 years commencing on the review date. The rent review on 1 October 2014 was agreed (at the annual rent noted above) by way of correspondence between the parties. The lease does not contain a break clause.

(b) ***Waiver of loan – Accrol Papers***

On 14 July 2014, Accrol Papers Limited waived loans owing to it by Phoenix Court Blackburn Limited, which is owned or controlled by the Hussain family, totalling £4,500,000.

(c) ***Waiver of loan – Accrol Holdings***

On 14 July 2014, Accrol Holdings Limited waived a loan owing to it by Phoenix Court Blackburn Limited, which is owned or controlled by the Hussain family, of £1,500,000.

(d) ***Supply of Services Agreement with Altus Vision LLP and related deed of indemnity***

Accrol Papers Limited is party to a supply of services agreement dated 7 July 2012 with Altus Vision LLP pursuant to which Altus Vision LLP provides Accrol Papers Limited with certain services, being all the administration connected with the provision of certain goods to Accrol Papers Limited ("Services Agreement"). Until 31 July 2014, Altus Hygiene Limited, which is owned or controlled by Jawid Hussain and his wife, was a member of Altus Vision LLP, on which date it ceased to be such a member.

Accrol Papers Limited is party to a deed of indemnity dated 20 July 2012 with Altus Hygiene Limited, which is owned or controlled by Jawid Hussain and his wife, pursuant to which Altus Hygiene Limited agrees to indemnify Accrol Papers Limited in relation to claims by Altus Vision LLP against Accrol Papers Limited, under the Commercial Agents Regulations 1993 or otherwise, that in carrying out its obligations under the Services Agreement it is an agent of

Accrol Papers Limited and/or entitled to compensation and/or indemnity on termination of the Services Agreement or otherwise howsoever.

(e) ***Agreement with Alklar Limited for the provision of Peter Cheung as chairman***

The Company is party to an agreement dated 1 November 2014 with Alklar Limited, which is owned or controlled by Peter Cheung, for the provision by Alklar Limited of the services of Peter Cheung as non-executive chairman of the Company. The agreement requires Alklar Limited to ensure that Peter Cheung works a minimum of 50 days and a maximum of 60 days per calendar year (on the basis that each day is at least 7 working hours) in consideration of a fee of £75,000 plus VAT per annum with the ability for Group Companies to require further days or further hours per day as may be necessary for the proper discharge of Peter Cheung's duties for further fees of £1,250 plus VAT per day (on the basis that each day is at least 7 working hours). The agreement will be terminated conditional on, and with effect from, the new service agreement between the Company and Peter Cheung coming into effect, which that service agreement provides will occur on Admission.

(f) ***Relationship Agreement – Hussains***

Majid Hussain, Wajid Hussain and Mozam Hussain are party to a relationship agreement with the Company. See paragraph 12.4 of this Part V.

(g) ***Relationship Agreement – NorthEdge***

NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP are party to a relationship agreement with the Company. See paragraph 12.5 of this Part V.

(h) ***Placing Agreement***

Majid Hussain, Wajid Hussain, Mozam Hussain, NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP are party to the Placing Agreement with the Company. See paragraph 12.1 of this Part V.

(i) ***Investment Agreement***

The Company and Accrol UK are party to an investment agreement dated 14 July 2014 with Majid Hussain, Wajid Hussain, Mozam Hussain, Gary Earle, John Martin Flanagan, NorthEdge Capital Fund I LP, NorthEdge Capital I GP LLP and NorthEdge Capital relating to, amongst other things, certain investments in the Company. The Company is party to deeds of adherence dated 10 September 2014 with Colin Platt, 4 March 2015 with James Flude and 4 March 2015 with Peter Cheung pursuant to which each of those individuals, respectively, agreed to observe and be bound by the provisions of that investment agreement. That investment agreement will be terminated conditional on, and with effect from, Admission.

(j) ***Sale and Purchase Agreement***

Accrol UK is party to an agreement dated 14 July 2014 with Majid Hussain, Wajid Hussain and Mozam Hussain pursuant to which Accrol UK acquired from Majid Hussain, Wajid Hussain and Mozam Hussain the entire issued share capital of Accrol Holdings Limited. The consideration under that agreement was as follows:

- Initial cash purchase price on completion – £25,100,000
- Consideration loan notes – £4,625
- Manager loan notes – £20,495,375

That consideration was divided among certain of the Selling Shareholders as follows:

| *Seller* | *Entitlement to Initial Cash Purchase Price (£)* | *Entitlement to Consideration Loan Notes (£)* | *Entitlement to Manager Loan Notes (£)* |
|---|---|---|---|
| Majid Hussain | 8,366,666.67 | 1,542 | 6,831,791.67 |
| Wajid Hussain | 8,366,666.67 | 1,542 | 6,831,791.67 |
| Mozam Hussain | 8,366,666.66 | 1,541 | 6,831,791.66 |
| Totals | 25,100,000 | 4,625 | 20,495,375 |

Those consideration loan notes were then sold to the Company in consideration for the issue of certain shares in the Company.

(k) ***Option Agreement***

The Company is party to an agreement dated 14 July 2014 with Majid Hussain, Wajid Hussain and Mozam Hussain pursuant to which Majid Hussain, Wajid Hussain and Mozam Hussain granted the Company an option to purchase certain loan notes issued by Accrol UK and held by them and the Company granted to them an option to require the Company to purchase those loan notes. Those loan notes were subsequently purchased from them by the Company in consideration for the issue to them of certain shares in the Company.

(l) ***Loan Notes***

On 14 July 2014, Majid Hussain, Wajid Hussain, Mozam Hussain, NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP subscribed for certain loan notes issued by Accrol UK in the following amounts:

| *Name* | *Number of loan notes* |
|---|---|
| Majid Hussain | £6,831,791.67 |
| Wajid Hussain | £6,831,791.67 |
| Mozam Hussain | £6,831,791.66 |
| NorthEdge Capital Fund I LP | £20,035,384.25 |
| NorthEdge Capital I GP LLP | £459,990.75 |

On 4 March 2015, Peter Cheung subscribed for £249,178 loan notes issued by Accrol UK.

All of those loan notes accrue interest at the rate of 10 per cent. per annum on a non-compounding basis.

The proceeds of the Placing will be used by the Company to repay all of those loan notes, including all interest accrued on them.

(m) ***Deed of Termination and Release***

The Company is party to a deed of termination and release dated 14 July 2014 with Majid Hussain, Wajid Hussain and Mozam Hussain pursuant to which the subscription and shareholders' agreement dated 19 October 2009 between the same parties was terminated and each of those parties was released and discharged from their obligations arising out of or in connection with or ancillary to that subscription and shareholders' agreement.

(n) ***Deed of Restrictive Covenant***

Accrol UK Limited is party to a deed of restrictive covenant dated 14 July 2014 with Jawid Hussain pursuant to which Jawid Hussain agreed to certain restrictive covenants.

(o) ***Service Agreements***

Accrol UK is party to:

(i) a service agreement dated 14 July 2014 with Majid Hussain in relation to his role as chief executive officer of Accrol UK. He has resigned as an employee of Accrol UK conditional on, and with effect from, Admission;

(ii) a service agreement dated 14 July 2014 with Jawid Hussain in relation to his role as founder director of Accrol UK. He has resigned as an employee of Accrol UK conditional on, and with effect from, Admission;

(iii) a service agreement dated 14 July 2014 with Wajid Hussain in relation to his role as operations director of Accrol UK. He has resigned as an employee of Accrol UK conditional on, and with effect from, Admission;

(iv) a service agreement dated 14 July 2014 with Mozam Hussain in relation to his role as treasury director of Accrol UK. He has resigned as an employee of Accrol UK conditional on, and with effect from, Admission;

(v) a service agreement dated 14 July 2014 with Gary Earle in relation to his role as sales director of Accrol UK and a further service agreement between them dated 27 May 2016, which will replace that service agreement conditional on, and with effect from, Admission provided Admission occurs by 10 July 2016;

(vi) a service agreement dated 14 July 2014 with John Martin Flanagan in relation to his role as manufacturing director of Accrol UK and a further service agreement between them dated 27 May 2016, which will replace that service agreement conditional on, and with effect from, Admission provided Admission occurs by 10 July 2016;

(vii) a service agreement dated 10 September 2014 with Colin Platt in relation to his role as strategic projects director of Accrol UK and a further service agreement between them dated 27 May 2016, which will replace that service agreement conditional on, and with effect from, Admission provided Admission occurs by 10 July 2016; and

(viii) a service agreement dated 2 January 2015 with James Flude in relation to his role as finance director of Accrol UK.

(p) ***Deed of Assignment of Intellectual Property Rights***

Accrol Papers Limited is party to a deed of assignment of intellectual property rights dated 14 July 2014 with John Martin Flanagan pursuant to which John Martin Flanagan assigned certain intellectual property rights to Accrol Papers Limited.

(q) ***Consultancy Agreements***

Accrol Papers Limited is party to:

(i) a consultancy agreement with Nisiac Limited (in which Majid Hussain, Wajid Hussain, Mozam Hussain and Jawid Hussain are interested and of which they are directors) for the provision by Nisiac Limited of the services of Majid Hussain as a consultant;

(ii) a consultancy agreement with Nisiac Limited for the provision by Nisiac Limited of the services of Wajid Hussain as a consultant;

(iii) a consultancy agreement with Nisiac Limited for the provision by Nisiac Limited of the services of Mozam Hussain as a consultant; and

(iv) a consultancy agreement with Nisiac Limited for the provision by Nisiac Limited of the services of Jawid Hussain as a consultant.

(r) ***Buyback Contracts***

The Company is party to a share buyback contract with each of the members of the Company dated 1 June 2016 pursuant to which the Company agreed to buy back from such member, on 11 July 2016, all of the Deferred Shares held by him for, in aggregate for all of the Deferred Shares in issue, £1.

6.4 Save as disclosed elsewhere in this paragraph 6, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding year or during any earlier financial year which remains in any respect outstanding or unperformed.

**7. Additional information on the Directors and the Proposed Directors**

7.1 Excluding in respect of Peter Cheung and James Paul Maurice Flude, the Company and the Group's 100 per cent. owned subsidiaries (which are listed in paragraph 2.6 of this Part V of this Document), the names of the companies and partnerships of which the Directors and the Proposed Directors have been directors or partners in the last five years or of which they continue to be directors or partners are as follows:

(a) **Peter Cheung**

| *Current directorships and partnerships* | *Past directorships and partnerships* |
|---|---|
| Alklar Limited | GHD Group Holdings Limited |
| | GHD Group Limited |
| | GHD Holdings Limited |
| | Jemella Group (Holdings) Limited |
| | Jemella Group Limited |
| | Jemella Limited |
| | Power Promotions Limited |
| | Power Wizards Limited |
| | Wonderful Life Limited |
| | Wonderful Life UK Limited |

(b) **James Flude**

| *Current directorships and partnerships* | *Past directorships and partnerships* |
|---|---|
| | Feather and Black Holdings Limited |
| | Feather and Black Limited |

(c) **Stephen Crossley**

| *Current directorships and partnerships* | *Past directorships and partnerships* |
|---|---|
| SRC (Boston Spa) Consultancy Limited | Bright Blue Foods Limited |
| | Cukiernia Mistrza Jana SP.Zoo |
| | Gellaw 444 Limited |
| | Samworth Brothers Limited |

(d) **Joanne Lake**

| *Current directorships and partnerships* | *Past directorships and partnerships* |
|---|---|
| Gateley (Holdings) plc | CIT Funding (UK) Limited |
| Henry Boot plc | Leeds Financial Services Initiative Limited |
| Mattioli Woods plc | |
| Morses Club plc | |
| The Hepworth Wakefield | |

(e) **Stephen Hammett**

| *Current directorships and partnerships* | *Past directorships and partnerships* |
|---|---|
| – | Al Futtaim Group |
| | Haringey Education Business Partnership Limited |
| | Industry In Education Limited |
| | Tesco Stores Limited |

7.2 Except as stated above, as at the date of this Document, no Director:

(a) has any unspent conviction in relation to any indictable offence;

(b) has been a director of any company or a partner of any firm which, at the time of or within 12 months after his ceasing to be a director or a partner (as the case may be), has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or a partner of that firm (as the case maybe) or within the 12 months after he ceased to be a director of that company or a partner of that firm;

(c) is bankrupt or has had any bankruptcy order served upon him or entered into any individual voluntary arrangement;

(d) has had his assets placed in receivership or has been a partner of a partnership at the time of, or within the twelve months preceding, any assets of that partnership being placed into receivership; or

(e) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 8. Directors' and Proposed Directors' service agreements and letters of appointment

8.1 The following is a summary of the executive Directors' and the Proposed Chief Executive Officer's service agreements:

| *Director* | *Date of agreement* | *Salary (per annum)* |
|---|---|---|
| Peter Cheung | 27 May 2016 (conditional on, and effective from, Admission) | £100,000 |
| James Flude | 27 May 2016 (conditional on, and effective from, Admission) | £180,000 |
| Stephen Crossley | 27 May 2016 (conditional on, and effective from, Admission) | £230,000 |

(a) The service agreements for all of the executive Directors' and the Proposed Chief Executive Officer are between the relevant Director or the Proposed Chief Executive Officer (as the case may be) and Accrol UK. Both James Flude and Stephen Crossley are employed on a full time basis. Peter Cheung is employed for up to two days per week at such times as are agreed between Accrol UK and Peter Cheung.

(b) The salary of each executive Director and the Proposed Chief Executive Officer will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. At the discretion of the Remuneration Committee, an executive Director or the Proposed Chief Executive Officer may be entitled to an annual discretionary bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee. Ancillary benefits include private medical expenses insurance, life assurance cover (at four times basic salary), provision of a £10,000 per annum car allowance (Stephen Crossley only) and the reimbursement of all reasonable and authorised expenses (including, for Peter Cheung only, the reimbursement of reasonable travel expenses to and from the Company's offices in Blackburn).

(c) Accrol UK contributes to pension plans in respect of the executive Directors and the Proposed Chief Executive Officer at a rate of 12.5 per cent. of basic salary.

(d) Each of the executive Directors' and the Proposed Chief Executive Officer's service agreements may be terminated by either party serving 12 months' written notice. Stephen Crossley's service agreement is subject to a six month probationary period (from the date of the agreement set out above) during which period the agreement may be terminated by Accrol UK on eight weeks' notice. At its discretion Accrol UK may make a payment in lieu of notice or place the executive Director or the Proposed Chief Executive Officer on garden leave. Accrol UK has the right (subject, to board or Remuneration Committee approval for Stephen Crossley) to make any payment in lieu of notice in equal monthly instalments until the date on which the notice period would have expired, the executive Directors or the Proposed Chief Executive Officer are under a duty to mitigate these losses during that period and Accrol UK has the right to set off against the monthly instalments any new income such executive Director or the Proposed Chief Executive Officer (as the case may be) receives during that period.

(e) The service agreements also contain provisions for summary termination in the event of: (i) any material breach of the service agreement, gross misconduct, gross incompetence, or wilful neglect in the discharge of their duties; (ii) repeated or continued breach of the service agreement which (after warning) is not remedied within 15 days; (iii) failure, in the reasonable opinion of the board of Accrol UK or the Remuneration Committee, to perform his duties to a reasonable standard after receipt of written warning and a reasonable opportunity to improve; (iv) any fraud against any shareholder or any group company; (v) bankruptcy; (vi) being convicted of any criminal offence which results in a custodial penalty of six months or more; (vii) being prohibited by law from being a director of a company; or (viii) voluntary resignation from directorship of any group company. The service agreements also contain provisions for early termination, on three months' written notice from Accrol UK, in the event of the relevant executive Director's or the Proposed Chief Executive Officer's incapacitation due to illness, or an accident (or otherwise) for a period of at least 180 working days in any 12 consecutive months.

(f) Each executive Director's and the Proposed Chief Executive Officer's service agreement contains typical restrictive covenants for a period of 12 months following the termination of employment.

8.2 The following is a summary of the non-executive Proposed Directors' letters of appointment:

| *Director* | *Date of appointment* | *Fee (per annum)* |
|---|---|---|
| Joanne Lake | 27 May 2016 (conditional on, and effective from, Admission) | £37,000* |
| Stephen Hammett | 27 May 2016 (conditional on, and effective from, Admission) | £35,000* |

*These amounts exclude the amounts detailed in paragraph (c) below.

(a) The appointment of each non-executive Proposed Director is for an initial term of six months after which the appointments are terminable by either the Company or the non-executive Proposed Director on one month's notice. Each appointment is contingent on satisfactory performance and re-election at the next annual general meeting.

(b) Each of the non-executive Proposed Directors is expected to devote a minimum of 25 working days per annum to their role.

(c) Each non-executive Proposed Director is entitled to an additional fee of £5,000 per annum in respect of their role as the chairperson of a board committee (Stephen Hammett as chairperson of the Remuneration Committee and Joanne Lake as chairperson of the Audit Committee). Each non-executive Proposed Director is also entitled to be reimbursed for reasonable and authorised business expenses.

8.3 Save as disclosed in paragraphs 8.1 and 8.2 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and either the Company or Accrol UK which cannot be terminated by the Company or Accrol UK without payment of compensation within 12 months.

8.4 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers or emoluments during the financial year immediately preceding the date of this Document.

## 9. Employees

9.1 The number of the Group's permanent employees at the end of the last three financial years, the last of which ended on 30 April 2015 is as follows:

| | *Year ended 30 April 2013* | *Year ended 30 April 2014* | *Year ended 30 April 2015* |
|---|---|---|---|
| Production | 190 | 212 | 288 |
| Administration | 24 | 29 | 38 |
| Total | 214 | 241 | 326 |

9.2 The Group also has 2 sales agents, 1 consultant and a small number of temporary employees.

9.3 The main categories of the Company's employees are production, administration and management.

## 10. Major Shareholders

10.1 Save as disclosed in paragraph 10.3, the Directors and the Proposed Directors are not aware of any person (other than the persons referred to in paragraph 6.2 above) who, directly or indirectly, jointly or severally at the date of this Document is interested in three per cent. or more of the issued share capital of the Company as at that date.

10.2 Save as disclosed in this paragraph 10, the Directors and the Proposed Directors are not aware of any person (other than the persons as set out in paragraph 6.2 above) who, directly or indirectly, jointly or severally immediately following Admission will be interested in three per cent. or more of the Enlarged Ordinary Share Capital.

10.3 The following Shareholders will own three per cent. or more of the Ordinary Shares immediately following Admission:

| *Shareholder* | *Number of Ordinary Shares* | *Percentage of Enlarged Ordinary Share Capital* |
|---|---|---|
| Majid Hussain* | 4,652,590 | 5.0 |
| Wajid Hussain* | 4,652,590 | 5.0 |
| Mozam Hussain* | 4,646,621 | 5.0 |
| NorthEdge Capital** | 13,987,377 | 15.0 |
| Schroder Investment Management Limited | 9,000,000 | 9.7 |
| Miton Asset Management plc | 8,800,000 | 9.5 |
| Axa Investment Managers SA | 8,100,000 | 8.7 |
| Majedie Asset Management Limited | 5,400,000 | 5.8 |
| Ruffer LLP (for its discretionary clients of the Ruffer Group) | 5,000,000 | 5.4 |
| Premier Fund Managers Limited | 3,600,000 | 3.9 |

* These three shareholders are brothers who, immediately following Admission will be interested, in aggregate, in 15.0 per cent. of the Enlarged Ordinary Share Capital.

** These are registered as to 13,673,210 Ordinary Shares in the name of NorthEdge Capital Fund I LP and 314,167 Ordinary Shares in the name of NorthEdge Capital I GP LLP.

10.4 Majid Hussain, Wajid Hussain and Mozam Hussain have agreed to certain voting restrictions applicable to themselves and their "Associates" in the Hussain Relationship Agreement (as described further in paragraph 12.4 of this Part V).

10.5 NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP have agreed to certain voting restrictions applicable to themselves and their "Associates" in the NorthEdge Relationship Agreement (as described further in paragraph 12.5 of this Part V).

10.6 Subject to paragraphs 10.4 and 10.5 of this Part V, persons interested, directly or indirectly, in three per cent. of more of the Company's issued share capital do not and will not have different voting rights from those holding less than three per cent.

10.7 Save as disclosed in this paragraph 10 and paragraph 6 above, the Directors and the Proposed Directors are not aware of any:

(a) person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company; or

(b) arrangements the operation of which could at a subsequent date result in a change of control of the Company.

## 11. Litigation

There are no governmental, legal or arbitration proceedings in which any Group Company is involved or (so far as the Directors and the Proposed Directors are aware) which are pending or threatened by or against any Group Company, in each case which may have, or have had in the twelve months immediately preceding the date of this Document, a significant effect on the Company's and/or the Group's financial position or profitability.

## 12. Material contracts

Set out below is a summary of each material contract entered into by the Group, either (i) within the two years immediately preceding the date of this Document or (ii) which contains any provision under which a Group Company has any obligation or entitlement which is material to the Group as at the date of this Document, in each case other than those entered into in the ordinary course of business:

### 12.1 Placing Agreement

Zeus Capital has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares and the Vendor Placing Shares at the Placing Price with institutional and other investors. The Placing Shares will represent 46.6 per cent. of the Enlarged Ordinary Share Capital following Admission. The Placing will raise gross proceeds of approximately £43.3 million for the Company (before commissions and expenses) and gross proceeds of approximately £20.2 million for the Selling Shareholders (before commissions and expenses).

Each of the Directors, the Proposed Directors and the Selling Shareholders who will hold Ordinary Shares following Admission have undertaken, pursuant to the Placing Agreement:

- for a period of 12 months from Admission, not to dispose of any of the Ordinary Shares in which they are interested at Admission, except with the permission of Zeus Capital and in certain customary circumstances; and
- for a further period of 6 months, to comply with certain requirements designed to maintain an orderly market in the Ordinary Shares.

The Placing is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission;
- the Placing Shares having been unconditionally allotted and issued; and
- Admission becoming effective not later than 10 June 2016 or such later date as Zeus Capital and the Company may agree, being not later than 10 July 2016.

Neither the Placing nor the Vendor Placing has been underwritten.

Costs associated with the Proposals, which are estimated to be approximately £3.8 million, will be met as to approximately:

- £1.9 million by the Company; and
- £1.9 million by the Selling Shareholders.

The Placing Agreement contains certain indemnities given by the Company and certain warranties and undertakings from the Company, the Directors, the Proposed Directors and the Selling Shareholders (together the "Warrantors") in favour of Zeus Capital. Zeus Capital may terminate the Placing Agreement in specified circumstances prior to Admission, including in the event of a material breach of the warranties contained in the Placing Agreement. The liability of the Warrantors is limited in certain customary respects.

It is intended that the allotment of the Placing Shares and the transfer of the Vendor Placing Shares will take place on 10 June 2016, such allotment and transfer being conditional on Admission. Investors should be aware that Admission might not take place.

The following table contains details of the Selling Shareholders and the Vendor Placing Shares to be sold by them pursuant to the Vendor Placing:

| *Name* | *Business address* | *Number of Vendor Placing Shares* | *Position, office or other material relationship with the Group within the past 3 years* |
|---|---|---|---|
| Majid Hussain | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 2,976,182 | Former director of each member of the Group |
| Wajid Hussain | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 2,976,182 | Former director of Accrol Holdings and Accrol Papers |
| Mozam Hussain | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 2,972,364 | Former director of Accrol Holdings and Accrol Papers |
| NorthEdge Capital Fund I LP | 6th Floor, Vantage Point, Hardman Street, Spinningfields, Manchester, England, M3 3HF | 9,422,649 | Investor with representation on the Board |
| NorthEdge Capital I GP LLP | 6th Floor, Vantage Point, Hardman Street, Spinningfields, Manchester, England, M3 3HF | 216,502 | Investor with representation on the Board |
| John Flanagan | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 244,679 | Former director of the Company and Accrol UK |
| Gary Earle | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 244,679 | Former director of the Company and Accrol UK |
| Colin Platt | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 244,679 | Former director of the Company and Accrol UK |
| Peter Cheung | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 611,682 | Director of the Company and Accrol UK |
| James Flude | Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD | 244,679 | Director of the Company and Accrol UK |

12.2 **Nominated adviser and broker agreement**

On 2 June 2016, the Company, the Directors and the Proposed Directors and Zeus Capital entered into a nominated adviser and broker agreement pursuant to which the Company has appointed Zeus Capital to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Zeus Capital an annual fee of £55,000 (increasing to £75,000 with effect on or before the third anniversary of the date of the agreement) (exclusive of VAT and disbursements) for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company and the Directors and the

Proposed Directors. The agreement continues for an initial period of 12 months from the date of the agreement, and is otherwise terminable on three months' notice (or without notice in certain circumstances).

12.3 **Warrant Instrument**

The Company proposes to grant a warrant to Zeus Capital to subscribe for Ordinary Shares representing approximately 3 per cent. of the Enlarged Ordinary Share Capital at a price per Ordinary Share equal to the Placing Price. The Zeus Warrant is proposed to be capable of exercise during the period starting on the first anniversary of Admission and ending on the 10th anniversary of Admission.

12.4 **Relationship Agreement – Hussains**

On Admission, Majid Hussain, Wajid Hussain and Mozam Hussain will, in aggregate, hold approximately 15.0 per cent. of the Enlarged Ordinary Share Capital. The Company, Majid Hussain, Wajid Hussain and Mozam Hussain entered into a relationship agreement on 2 June 2016 to regulate aspects of the continuing relationship between the Company and Majid Hussain, Wajid Hussain and Mozam Hussain in their capacity as Shareholders with the intention of enabling the Company to conduct its business affairs independently of Majid Hussain, Wajid Hussain and Mozam Hussain and to ensure that future transactions between the Company and Majid Hussain, Wajid Hussain and Mozam Hussain are on arm's length terms and on a normal commercial basis. Certain undertakings given by Majid Hussain, Wajid Hussain and Mozam Hussain in the Relationship Agreement will fall away, amongst other things, when the voting rights attaching to their aggregate shareholdings (together with that of their associates) in the capital of the Company represent less than 10 per cent. in aggregate of all voting rights in the Company.

12.5 **Relationship Agreement – NorthEdge**

On Admission, NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP will, in aggregate, hold approximately 15.0 per cent. of the Enlarged Ordinary Share Capital. The Company, NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP entered into a relationship agreement on 2 June 2016 to regulate aspects of the continuing relationship between the Company and NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP in their capacity as Shareholders with the intention of enabling the Company to conduct its business affairs independently of NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP and to ensure that future transactions between the Company and NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP are on arm's length terms and on a normal commercial basis. Certain undertakings given by NorthEdge Capital Fund I LP and NorthEdge Capital I GP LLP in the Relationship Agreement will fall away, amongst other things, when the voting rights attaching to their aggregate shareholdings (together with that of their associates) in the capital of the Company represent less than 10 per cent. of all voting rights in the Company.

12.6 **Leases with related parties**

See paragraph 6.3(a) of this Part V.

12.7 **Waiver of loan – Accrol Papers**

See paragraph 6.3(b) of this Part V.

12.8 **Waiver of loan – Accrol Holdings**

See paragraph 6.3(c) of this Part V.

12.9 **Commission agreement with Altus Vision LLP**

See paragraph 6.3(d) of this Part V.

12.10 **Agreement with Alklar Limited for the provision of Peter Cheung as chairman**

See paragraph 6.3(e) of this Part V.

12.11 **Banking**

12.11.1 ***Term Facility with HSBC***

On 8 August 2014 Accrol UK entered into a term facility agreement with HSBC Bank plc ("HSBC") in respect of a Term Facility of £6,000,000 (the "Term Facility Agreement"). Pursuant to the terms of the Term Facility Agreement, Accrol UK drew down one loan used for the purpose of refinancing existing financial indebtedness. Interest is payable on amounts drawn at a rate ranging from 2 per cent. to 3 per cent. above the London Interbank Offered Rate (with the margin linked to the leverage test). The term of the Term Facility Agreement is 5 years from the date of the Term Facility Agreement. The Term Facility Agreement contains representations and warranties which are usual for an agreement of this nature, together with a leverage financial covenant. An arrangement fee of £120,000 was payable pursuant to the Term Facility Agreement. Each of the Company, Accrol UK, Accrol Holdings and Accrol Papers entered into a guarantee and granted security in favour of HSBC in respect of all liabilities arising under the Term Facility Agreement.

12.11.2 ***Revolving Credit Facility with HSBC***

On 2 June 2016 Accrol UK entered into a revolving credit facility agreement with HSBC in respect of a revolving credit facility of £18,000,000 (the "RCF Agreement"). Pursuant to the terms of the RCF Agreement, Accrol UK can drawdown individual loans to be used for the purpose of fully refinancing the term facility made available to Accrol UK on 8 August 2014 pursuant to the Term Facility Agreement, capital expenditure and general corporate purposes. Interest is payable on amounts drawn at a rate ranging from 1.5 to 2.25 per cent. above the London Interbank Offered Rate (with the margin linked to the Leverage Test). In addition, a commitment fee is payable at the rate of 40 per cent. of the applicable margin per annum of any undrawn commitment. The RCF agreement is for a term of five years (the last date of that term being the "Termination Date"). The facility shall be available from the date of Admission to trading of Accrol Holdings on AIM until the date falling one month prior to the Termination Date. The amount of the facility will reduce by £2,000,000 annually on 30th April each year to a limit of £10,000,000 on 30th April 2020. The RCF Agreement contains representations and warranties which are usual for an agreement of this nature, together with a Leverage and an interest cover financial covenant. An arrangement fee of £270,000 is payable pursuant to the RCF Agreement. Each of the Company, Accrol UK, Accrol Holdings and Accrol Papers have previously entered into a guarantee and security in favour of HSBC, which shall remain in respect of all liabilities arising under the RCF Agreement.

12.11.3 ***Invoice Finance Facility with HSBC Invoice Finance (UK) Limited***

On 8 August 2014, Accrol Papers entered into an invoice discount finance facility with HSBC Invoice Finance (UK) Limited in respect of a £20,000,000 facility (the "ID Facility"). The ID Facility will be reviewed and renewed annually by 30 April each year in line with reductions in the revolving credit facility referred to at paragraph 12.11.2 above. The interest payable is 1.45 per cent. above the London Interbank Offered Rate. Each of the Company, Accrol Holdings, Accrol Papers and Accrol UK have entered into a guarantee in respect of the obligations of Accrol Papers under the ID Facility and Accrol Papers has granted security in respect of the debts against which the ID Facility will be drawn.

12.11.4 ***Ancillary Facilities with HSBC***

On 5 August 2015, Accrol Papers entered into sterling net overdraft and other facilities letter ("Ancillary Facilities Letter") with HSBC in respect of a combined limit sterling net overdraft and/or a multi-currency overdraft and a US$7,500,000 forward exchange contracts and currency options. The interest payable in respect of the net overdraft facility and the multi-currency facility is 3 per cent. above the prevailing rate of the Bank of England Base Rate. These facilities are on demand and due for review 31 July 2016.

12.12 **Investment Agreement**

See paragraph 6.3(i) of this Part V.

12.13 **Sale and Purchase Agreement**

See paragraph 6.3(j) of this Part V.

12.14 **Option Agreement**

See paragraph 6.3(k) of this Part V.

12.15 **Loan Notes**

See paragraph 6.3(l) of this Part V.

12.16 **Deed of Termination and Release**

See paragraph 6.3(m) of this Part V.

12.17 **Deed of Restrictive Covenant**

See paragraph 6.3(n) of this Part V.

12.18 **Deed of Assignment of Intellectual Property Rights**

See paragraph 6.3(p) of this Part V.

## 13. Working capital

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, taking into account the net proceeds of the Placing and available bank and other facilities, that the working capital available to the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

## 14. No significant change

Other than as disclosed in paragraph 7 of Section I of this Document, there has been no significant change in the trading or financial position of the Group since 29 February 2016, being the date to which the historical financial information set out in Section B Part III of this Document has been prepared.

## 15. Taxation

***United Kingdom tax treatment of Shareholders***

15.1 **Introduction**

The statements set out below are intended only as a general guide to certain aspects of current UK tax law and the published practice of HM Revenue & Customs ("HMRC") as at the date of this Document and apply only to certain Shareholders who are resident and domiciled for tax purposes in the UK (save where express reference is made to non-UK resident persons). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of acquiring, holding or disposing of Ordinary Shares and does not constitute tax advice. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of dividends paid by the Company, and disposals of Ordinary Shares. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as capital assets or investments or who are not the absolute beneficial owners of those shares or dividends in respect of those shares, (ii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iii) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (iv) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or permanent establishment or otherwise), (v) Shareholders who hold Ordinary Shares acquired by reason of their employment, (vi) Shareholders who hold Ordinary Shares in an individual savings account or a self invested personal pension or (vii) Shareholders who are subject to UK taxation on a remittance basis, or (viii) Shareholders who are not resident in the UK for tax purposes (save where express reference is made to non-UK resident shareholders).

The Chancellor of the Exchequer presented the 2016 Budget to the House of Commons on 16 March 2016, and a Finance Bill giving effect to his announcement was published on 24 March 2016. The following statements are based on current UK tax law as applied in England and Wales, the Finance Bill 2016 in the form as published on 24 March 2016 (which it is assumed will be enacted without amendment), and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this document. These may change, possibly with retrospective effect.

15.2 **UK taxation of dividends**

The Company is not required to withhold tax when paying a dividend (whether in cash or in the form of a stock dividend).

*Shareholders who are individuals*

With effect from 6 April 2016, UK resident individuals will receive a dividend allowance of £5,000 per tax year (the ‘dividend allowance’). Dividends received from the Company up to the amount of the dividend allowance (in aggregate) will not be subject to income tax for Shareholders who are UK resident individuals. To the extent that dividends received in a tax year exceed that dividend allowance, they will be taxed at a rate of 7.5 per cent., 32.5 per cent. or 38.1 per cent., for basic, higher and additional income tax rate payers respectively. Dividend income that is within the allowance will count towards an individual’s basic or higher rate limits. Dividend income will still be treated as the top slice of a Shareholder’s income.

*Corporate Shareholders*

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax at 20 per cent. on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exemption applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that the dividends paid by the Company would normally be exempt.

15.3 **UK taxation of chargeable gains in respect of Ordinary Shares**

If a Shareholder disposes (or is treated as disposing) of all or some of his Ordinary Shares, a liability to tax on chargeable gains may arise depending on the relevant Shareholder’s circumstances and any reliefs to which they are entitled. A chargeable gain or allowable loss is generally calculated by reference to the consideration received for the disposal less the allowable cost ot the Shareholder of acquiring the Ordinary Shares.

*Shareholders who are UK tax resident individuals*

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Ordinary Shares by individuals will generally be subject to capital gains tax at a rate of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers) (2016/17). Indexation allowance is not available. Each individual has an annual exempt amount each tax year (£11,100 for 2016/17): chargeable gains realised by that individual up to (in aggregate) that amount are not subject to UK capital gains tax.

*UK tax resident corporate Shareholders*

Subject to the availability of any exemptions, reliefs and/or allowable losses, a gain on disposal of Shares by a Shareholder within the charge to UK corporation tax will generally be subject to corporation tax at the current rate of 20 per cent. (2016/17). The UK government has announced that the main rate of UK corporation tax will reduce to 19 per cent. in 2017 and to 17 per cent. in 2020. Indexation allowance may be available to reduce any chargeable gain arising on a disposal or deemed disposal, but not to create or increase the amount of any allowable loss.

*Shareholders who are not resident in the UK for tax purposes*

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency or in the case of a non-UK resident corporate Shareholder, a permanent establishment to which their Ordinary Shares are attributable).

Individual Shareholders who are temporarily not UK resident and who dispose of all or part of their Ordinary Shares during that period may be liable to UK capital gains tax on chargeable gains realised on their return to the UK, subject to any available exemptions or reliefs.

Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their circumstances.

15.4 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT") on transfers of Ordinary Shares**

The following paragraphs are intended only as a general and non-exhaustive guide to the UK stamp duty and SDRT position in relation to Ordinary Shares under current UK law. They apply in relation to Ordinary Shares irrespective of the residence or domicile of the relevant Shareholder or prospective Shareholder. They do not apply in relation to any issue or transfer of New Ordinary Shares to, or to a nominee or agent for, a depositary receipt issuer or clearance service operator, or to persons such as market makers, brokers, dealers or intermediaries.

Transactions in shares such as the Ordinary Shares are exempt from stamp duty and SDRT where those shares are admitted to trading on a recognised growth market but they are not listed on a recognised stock exchange. AIM is a recognised growth market. As a result, it is expected that purchases of Ordinary Shares following Admission should not be subject to either stamp duty or SDRT so long as the shares are admitted to trading on AIM, but they are not listed on any recognised stock exchange and AIM continues to be a recognised growth market.

Where this growth market exemption does not apply:

(a) Transfers on sale of Ordinary Shares in certificated form will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up if necessary to the nearest multiple of £5.00. The purchaser generally pays the stamp duty. An exemption from stamp duty will be available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(b) An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. However, if a duly stamped or exempt transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is the liability of the purchaser.

(c) Agreements to transfer Ordinary Shares within the CREST system will generally be liable to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in money or money's worth.

**Prospective purchasers of Ordinary Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of Ordinary Shares.**

## 16. Consents

16.1 PricewaterhouseCoopers LLP has given and not withdrawn its consent to the inclusion herein of its accountants report set out in Section A of Part III of this Document in the form and context in which it is included and has authorised its report for the purpose of Schedule Two of the AIM Rules for Companies.

16.2 PricewaterhouseCoopers LLP is a limited liability partnership registered in England and Wales with number OC303525 and with its registered office at 1 Embankment Place, London, WC2N 6RH. PricewaterhouseCoopers LLP is a member of, and is regulated by, the Institute of Chartered Accountants in England and Wales.

16.3 Zeus Capital has given and not withdrawn its consent to the issue of this Document with the inclusion herein of reference to its name in the form and context in which it appears.

## 17. General

17.1 PricewaterhouseCoopers LLP of 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW are the auditors of the Company and were the auditors of the Group for the financial years ended 30 April 2013, 30 April 2014 and 30 April 2015 and for the 10 month period ended 29 February 2016. PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants in England and Wales.

17.2 The gross proceeds of the Placing and the Vendor Placing are expected to be approximately £43.3 million and £20.2 million respectively and the costs associated with the Proposals, which are estimated to be approximately £3.8 million, will be met as to approximately:

- £1.9 million by the Company; and
- £1.9 million by the Selling Shareholders.

17.3 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in Ordinary Shares.

17.4 Save as set out in this Document, the Group has no investments in progress which are significant.

17.5 The Company's financial period ends on 30 April annually, with its latest set of audited financial statements being made up to 29 February 2016.

17.6 Save as disclosed in this Document, no person (other than the professional advisers referred to in this Document and trade suppliers) has received, directly or indirectly, from the Group within the year immediately preceding the date of this Document, or entered into contractual arrangements to receive, directly or indirectly, from the Group on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

17.7 James Flude will be paid a bonus of £125,000 by the Company on Admission.

17.8 The consultancy agreements referred to in paragraph 6.3 of this Part V could result in payments by Accrol Papers of up to £30,000 per month.

17.9 Where information in this Document has been sourced from a third party, the Company confirms that it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.10 The data and statistics comprised in figures 1 to 8 (inclusive) in Part I of this Document is compiled from management information.

## 18. Availability of documents

Copies of this Document and the following documents will be available free of charge to the public at the offices of Addleshaw Goddard LLP at 100 Barbirolli Square, Manchester M2 3AB during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from Admission:

18.1 The historical financial information of the Company for the ten month period ended 29 February 2016 and the years ended 30 April 2015, 2014, and 2013, together with the related Accountant's Report for PricewaterhouseCoopers LLP, set out in Part III of this document; and

18.2 the memorandum of association of the Company and the Articles.

The date of this Document is 2 June 2016

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