

# Accorol Group Holdings plc / Annual Report and Accounts 2017



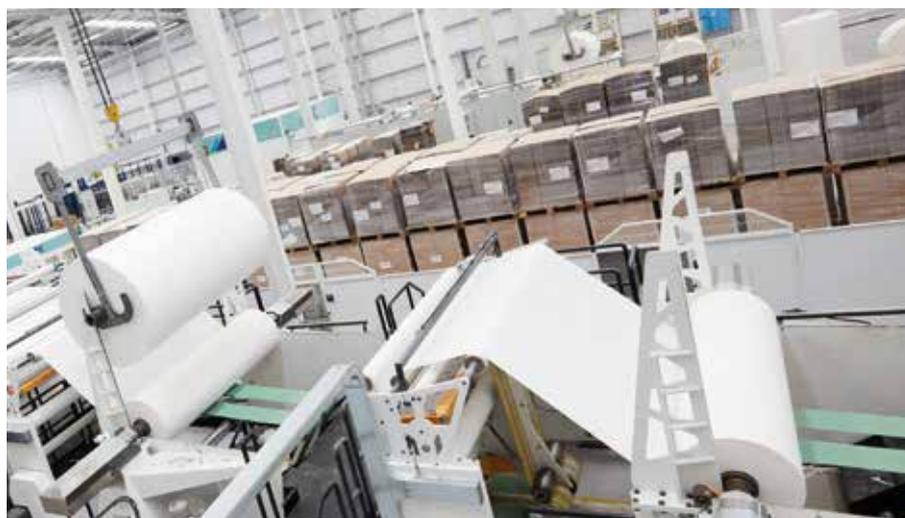
ACCROL PAPERS



CONVERTING  
OPPORTUNITY  
INTO GROWTH

# CONVERTING POTENTIAL INTO PERFORMANCE

Accrol is a leading independent tissue converter manufacturing toilet rolls, kitchen rolls, facial tissues and away from home products (AFH). We supply a range of Independents, Discounters and Multiples as well as a variety of AFH customers throughout the UK. Accrol imports Parent Reels from around the world and converts them into finished goods at its manufacturing, storage and distribution facilities in Blackburn and Leyland, Lancashire.



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## Financial highlights

### Revenue

**£135.1m**  
+14%

2017	£135.1m
2016	£118.2m
2015	£81.9m

### Adjusted EBITDA <sup>(Note 25)</sup>

**£16.1m**  
+7%

2017	£16.1m
2016	£15.0m
2015	£12.3m

### Profit after tax

**£7.4m**  
+29%

2017	£7.4m
2016	£5.7m
2015	£2.3m

### Net debt <sup>(Note 18)</sup>

**£19.0m**  
+68.7%

2017	£19.0m
2016	£60.7m
2015	£61.7m



## Operational highlights

- Successful maiden full year as a publicly listed company, with a solid trading performance.
- New contract wins have seen market share grow to over 50% of the Discount Sector.
- Good progress made in building a platform for future growth.
- Key new hires to operations and management functions.
- Opened new 168,000 sq ft. manufacturing facility at Leyland, Lancashire, with two tissue converting lines commissioned and a third line expected in FY18.
- Supply Chain Optimisation plan implemented to improve and simplify warehousing and logistics through a 368,000 sq ft. central warehouse at Skelmersdale and managed by NFT Distribution.

# CONVERTING OUR ADVANTAGE

The Group's competitive advantage lies in its market positioning, operational process and flexibility.

## Our sales

The Discount market represents 16% of the overall tissue market and is the fastest growing sector at over 10% per annum. Accrol's decision to focus on this sector in 2008, has delivered sales CAGR of 15.9% since 2013. Accrol is the market leader in the Discount segment with 50% share by market value.

## Technology and converting lines

The Group currently has 17 converting lines in operation which includes 2 recently commissioned lines at Leyland. This provides a total converting capacity of approximately 143,000 tonnes per annum. 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.



# £18.2m

investment over  
3 years

# 17.7m

products manufactured  
per week

# 17

converting lines  
in total



### Sales by product



Toilet tissue revenue<sup>1</sup>

## £67.5m

+28% YoY



Kitchen towels revenue<sup>1</sup>

## £27.3m

+3% YoY



Facial tissue revenue<sup>1</sup>

## £12.6m

+17% YoY



Away from home (AFH) revenue<sup>1</sup>

## £23.3m

+1% YoY



1. Revenues are for current year ended 30 April 2017 but exclude bought in products of £4.4 million

### Product range

Accrol is able to manufacture toilet rolls, kitchen rolls, facial tissue and AFH products, providing a 'one stop shop' solution for customers. We believe the ability to produce all 4 key segments is a competitive advantage.

Discounters' tissue offerings are skewed towards Private Label and this is driving the growth of Private Label in the market as a whole. Discounters typically look for lower prices and suppliers that offer high, sustainable volumes. Discounters typically dedicate 3% of their shelf space to tissue products, compared to 2% in the Multiples. The majority of Accrol's products are Private Label.

# CONVERTING INVESTMENT INTO GROWTH



**Peter Cheung**  
Executive Chairman

## Overview of the year

I am delighted to report that FY17 was another successful year for the Group. Our revenue grew to £135.1 million, increasing 14% compared to FY16 and in line with market expectations.

Adjusted EBITDA increased to 16.1 million, up 7%, and adjusted profit before tax increased £4.8 million to £13.0 million, up 58%. Profit after tax has risen to £7.4 million, up 29%.

With Grocery inflation rising during the year, consumer footfall in the Discount Sector showed no signs of slowing down as shoppers continued to look for ways of offsetting rising household prices and switching to lower cost alternatives. As a result of new contract wins starting in late 2016, our value market share in the Discount Sector grew to over 50%, firmly endorsing Accrol as the soft tissue supplier of choice for the sector.

The year was not without its challenges. In anticipation of Sterling weakness and volatility following the UK's decision to leave the European Union, we moved to protect ourselves from adverse exchange rate fluctuations by significantly hedging our exposure to help mitigate raw material cost price increases. However, we have continued to look ahead, positioning ourselves for growth, investing in both our facilities and our team to help us capitalise on the market opportunity.

During the year, we opened our new production facility at Leyland, Lancashire, which gives us the opportunity to install a total of 6 tissue converting lines and the potential to generate revenues in excess of £100 million from the

site, and £250 million in aggregate. We currently have 2 lines installed and recently announced the addition of a 3rd line which will be installed towards the end of 2018 as we seek to extend our reach into the Major Multiples.

We also embarked on an ambitious plan to reorganise our warehousing and logistics operations, creating a centralised finished goods hub next to the M58 in Skelmersdale, Lancashire. This will enable us to better service our customers and prepare for future growth.

Accrol's founders, the Hussain family, have now fully exited the business in line with the strategy we set out at IPO, and we have made a number of new senior management hires across the business. I would like to thank the Hussain family for a smooth and successful transition to new management.

## Strategy and outlook

The continued oversupply of Parent Reels shows no sign of abating and as of January 2017, a further 111 tissue mills were on order or in their final stages, keeping pricing competitive and supporting our strategy to procure Parent Reels versus own manufacture. We will continue to source reels from around the globe, taking advantage of new technology and spare capacity.

The majority of Private Label retail shelf prices for soft tissue are still at pre-EU referendum levels. There are positive signs that this is changing, albeit slower than we expected, and we expect the industry as a whole to pass on the effects of the weaker pound as currency contracts unwind.



Dividend policy

6%

Progressive yield at IPO placing price

Final dividend proposed

4p

per ordinary share

Key to our expansion will be to strengthen our relationships in the growing Discount Sector, the continued consumer shift towards Private Label tissue products and winning new business in the Premium Retail Sector. Our recent investment in new production capacity, logistics and warehousing facilities will allow us to build on our strong market position.

**Dividend policy**

The Board remains committed to a progressive dividend policy. The interim dividend of 2.0p per share was paid in February 2017. The Board has proposed a final dividend of 4.0p per share, which together with the interim dividend represents a 6% yield at the IPO listing price.

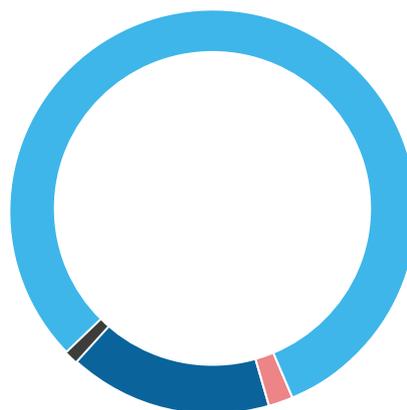
The final dividend is subject to the approval of the Company's shareholders and will be paid on 26 September 2017 to shareholders on the register on 1 September 2017. The Company's Ordinary shares will become ex-dividend on 31 August 2017.

**Peter Cheung**

Executive Chairman  
10 July 2017

**Shareholder analysis**

● Institutional	81%
● Non-institutional	2%
● Private individuals	16%
● Other	1%



**UK tissue**

9%

market share

# POSITIONING FOR FUTURE GROWTH



**Steve Crossley**  
Chief Executive Officer

## Market overview

FY17 has been a year of delivery and positioning for future growth of Accrol, with the UK tissue market currently worth £2.2 billion at retail selling price.

Although there has been a small decline, due to promotional activity, in the value of consumer sales through Multiples and Discounters, down 1.5% to £1.5 billion, the Discount Sector continues to demonstrate the most significant growth at over 10% per annum. Brands continue to be slowly eroded with Own-Label within the Major Multiples reaching 47% of the total market by March 2017. Inflation, driven by a fall in the value of Sterling following the EU referendum, first appeared in the tissue category in early 2017 and is expected to accelerate as the year continues.

In anticipation of exchange rate volatility immediately ahead of, and following, the EU Referendum, Accrol entered into a significant number of forward contracts to hedge its currency exposure. This, along with favourable Parent Reel pricing dynamics, enabled Accrol to minimise the impact of foreign exchange rate volatility on its financial performance through FY17. As exchange rates continue to be weak in favour of the US Dollar, tissue manufacturers and converters are facing rising raw material prices as pulp is traded in US Dollars on global markets. Accrol is well advanced in conversations with customers regarding inflation recovery but they are challenging and will take time to conclude.

## Strategy

Throughout the year we have focused on our long-term strategy of increasing our share of the Discount Sector as increasing inflation encourages UK shoppers to search out quality and value and further accelerates the growth of the Discount Sector. Evidence of this can already be seen with Aldi and Lidl both recently reporting market share growth of almost 20%. Increasing product prices will also see further moves in sales from brands into Own-Label within the Major Multiples as they all seek to re-set their ranges and shopper offering. Our aim of gaining further Own-Label business with the Major Multiples therefore remains a key strategic objective.

Our sourcing strategy of purchasing Parent Reels globally from partner paper mills will continue to be a key point of difference. Leveraging strong commercial terms, flexibility on sourcing new technologies and better use of cash remain the key advantages of this sourcing strategy as opposed to a vertically-integrated model. There is still significant over capacity in the world pulp and tissue markets, as new paper mills come online, which appears set to continue through to 2019.

## Contracts

We won a number of new contracts in FY17, the most significant being the launch of Lidl's Florals range in November 2016. The account has continued to trade above the original expected levels of circa £10 million per annum.

Relationships with key customers remain positive and our investment for future growth by increasing capacity and improving our supply chain has been well-received. Our relationship with Booker, Accrol's largest customer, continues to be strong and we have recently signed a new supply agreement.

Conversations with the Major Multiples continued throughout the year and all outlined the need for an increase in Accrol's manufacturing capacity in order to move major tranches of volume, underlying the importance of our continued investment in the business.

Increased input costs driven by exchange rates have prompted inflation recovery conversations and, subsequently, more tender processes across the industry.



New manufacturing site

# Leyland

168,000 sq. ft.

New finished goods warehouse

# Skelmersdale

Capacity to service sales up to £200m

## Investment

Significant progress has been made on building a platform for future growth during the year. A suitable 168,000 sq ft site was quickly identified and secured at Leyland, Lancashire. From moving into the building in late October 2016, the premises were modified for manufacturing use with the 2 converting lines installed from January 2017 onwards. Commissioning on the first line was completed in April 2017 and on the second line in June 2017. Ramp up of volume has continued with the addition of new shift patterns and will continue into FY18. We recently announced the purchase of a further tissue conversion line which will take the total business capacity to 158,000 tonnes for FY18 or circa £200 million per annum sales. The Leyland site has space for a further 3 conversion lines in addition to the 3 lines that will be in place.

In addition to laying down new capacity, an investment programme commenced in the year on the existing Blackburn sites to improve operational efficiency, and hence overall capacity. This includes staff training and a new rotating shift pattern that is more employee friendly.

The final part of the investment for growth strategy in FY17 was the implementation of a Supply Chain Optimisation plan to improve and simplify warehousing and logistics,

creating additional capacity for growth.

A more efficient single 'big shed' solution was adopted and a site quickly identified on the M58 at Skelmersdale in Lancashire. This 368,000 sq ft warehouse is newly refurbished and will house finished goods and provide central distribution facilities to all UK customers. Warehouse management and national logistics will be contracted out to a 3rd-party provider, NFT, enabling the Accrol management team to focus on its core competencies of sourcing and manufacturing.

## People

Following our IPO in June 2016, a new PLC Board was put in place and a review of our organisational structure was undertaken. Key gaps were identified and have subsequently been filled with highly experienced industry experts. The new team helped transition the Hussain family out of the business by October 2016 as agreed in a collaborative and controlled manner.

People remain our most important asset and further investment continues to be made into their working environment through a focus on equipment and health and safety, into their welfare through more employee-friendly rotating shift patterns, and into respecting their views and opinions through employee engagement.

## Market opportunities/outlook

The Directors believe that Accrol's strategy remains relevant for the marketplace and that there continue to be opportunities for further growth. The move toward Discounters and Own-Label will be accelerated as shoppers try to reduce the inevitable impact of inflation without compromising on quality. Despite the exchange rate driven inflationary pressures and the slower than expected consumer price increases which the whole industry faces, the Directors remain confident that when price increases do come through, our sourcing policy and investment in capacity, supply chain efficiency and people has positioned Accrol to take advantage of the marketplace dynamics.

### Steve Crossley

Chief Executive Officer  
10 July 2017

# WE ARE A LEADING MARKET PLAYER

Accrol represents 9% of the UK tissue market share by revenue and is the 5th largest operator by capacity.



## The UK tissue market

The total UK tissue market is worth c. £2.2bn at retail selling price with c. £1.5bn attributable to consumers sales through the Multiples and Discounters. The consumer sector of the market is dominated by the Multiples with a 72% share by value\*. Discounters represent 16% of the consumer sector which is the fastest growing sector at over 10% per annum\*.

The total market value is in slight decline by 1.5% pa\* due to promotional activity and growth from the Discounters with volume of rolls down 1.2%\* largely due to migration to bigger rolls. Brands continue to be eroded with Private label products reaching 47% of the overall market by March 2017\*.

\* Kantar to March 2017

## Our focus

Changes in consumer attitudes towards Discounters have driven the rise in their market share in the overall grocery sector in the last 5 years, at the expense of the big 4 Multiples, all of which have lost revenues directly to Discounters such as Aldi and Lidl.

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 50% share of the Discount market.

## Future growth

We are under-represented in the biggest sector of the market where 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.

## Opportunity in Multiples

# 72%

Multiples total UK revenue market share

## Discounters forecast growth

# c.10%

per annum

## Focus on Discounters

# 50%

market share



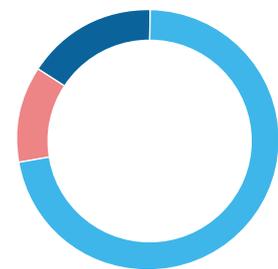
**Range of customers**

We have established long-term relationships with many leading retailers in a range of market sectors.



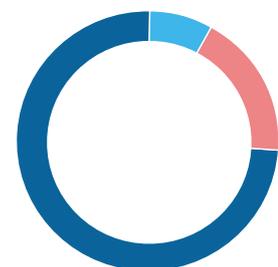
**Tissue market by customer mix**

● Multiples	72%
● Others	12%
● Discounters	16%



**Accrol customer mix**

● Multiples	8%
● Others	18%
● Discounters	74%



# OUR MODEL

Our vision is to be the leading independent supplier of Private Label tissue products to both the Discount and Multiples sectors.

## KEY STRENGTHS

### Dynamic Sourcing

The UK consumes 1.2 million tonnes of tissue paper per annum, of which c. 0.3 million tonnes is imported. Accrol does not operate a paper mill and instead it imports Parent Reels from around the world. As such, the UK is a net importer of Parent Reels, of which Accrol takes 32% 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. Parent Reel prices are driven by pulp prices and excess capacity in both the pulp and Parent Reel production. Excess global supply has suppressed Parent Reel prices allowing Accrol to compete on price compared to those competitors that operate mills.

### Low capital model

Our model of purchasing and converting Parent Reels (as opposed to manufacturing the Parent Reels from pulp and recycled fibre), requires lower fixed overhead and provides flexibility in sourcing to capitalise on favourable pricing opportunities and production technology advancements.

### Modern, efficient machinery

Investment in state-of-the-art lines (>60% of the lines are less than five years old) has reduced our operating cost per unit to a market leading position.

### Production flexibility

Our operating machinery allows conversion of a variety of input tissue grades, adding flexibility to the Parent Reel sourcing process and allowing manufacture of a wide range of product types.

## BASIS FOR GROWTH

### Developing sales channels

- Increasing share with Discounters
- Building relations with Multiples
- Expanding our offering to customers to supply the full range of products

### Adding capacity

- Our new manufacturing facility at Leyland
- Investment in line refurbishment at Blackburn

### Increasing capability

- 7 new senior management
- Increased training and a changed employee shift pattern to improve skills
- Utilisation of third-party expertise to manage warehouse and logistics at Skelmersdale





## WHO BENEFITS

### Shareholders

- Long-term capital growth.
- Progressive dividend payments.

### Customers

- Competitive independent supplier.
- Focused on Private label/ Discounters.

### Employees

- Quality local employer providing long-term security, training and development.

### Suppliers

- Growing business requiring additional services.

# OUR STRATEGY

We have identified key areas of operation to focus on to improve the Group's performance going forward.

## GROW THE TOP LINE

Ambition to achieve £250m+ p.a. sales through building on our core business with the Discounters, gaining new Own-Label business with the Multiples and complementary acquisitions.

### OBJECTIVE

- Protect our customer base in the growing Discount Sector.
- Drive new sales in the Discount Sector.
- Gain new sales in the growing Private Label sector of the Multiples.
- Explore complementary acquisitions that drive sales and PBT.

### PROGRESS TO DATE

- Our share of the Discounter segment has grown to c. 50% during FY17 following contract gains with Lidl, Booker and Poundstretcher.
- Lidl contract started October 2016 and delivered £8.8m in year – NTT supported our commercial case.
- Branded gains in Major Multiples include Morrisons (£0.5m) and Tesco (£1.5m).
- We believe inflation recovery in the marketplace will accelerate consumers moving to Discount Sector. Furthermore, it will increase volatility in sales to Discounters and Multiples as price inflation discussions will drive more business to being tendered.

### KPIs

- **14.2%** or **£16.8m** sales growth year on year (FY16: 17.0% growth).
- **50%** share of Discount market (FY16: **35%** share).
- **9%** share of total tissue market (FY16: 7% share).

## PROTECT THE MARGIN

Protecting our margin whilst delivering a quality product is key to retaining our customers, building our sales and ultimately creating shareholder value.

### OBJECTIVE

- Continue to source quality Parent Reels at the best value from our unique worldwide sourcing model.
- Continue to protect where possible our raw material purchasing through hedging currency movements.
- Work with our customers to recover inflationary costs whilst protecting sales value and volume.

### PROGRESS TO DATE

- We hedged significantly pre & post EU referendum and this coupled with lower paper pricing year on year has underpinned the financial performance for FY17.
- Tissue sourcing is under constant review to optimise pricing and quality.
- Inflation recovery discussions started with our customers in December 2016 and continued through FY17. Whilst we have had some success, further recovery of adverse exchange rate movements will be a significant element of achieving FY18.

### KPIs

- Underlying gross profit increased **£4.5m** or **13.4%** to **£37.7m** (FY16: £33.2m).
- Underlying gross margin **27.9%** (FY16: 28.1%).
- Adjusted EBITDA increased **£1.1m** or **6.8%** to **£16.1m** (FY16: £15.0m).
- Adjusted profit before tax increased **£4.8m** or **57.5%** to **£13.0m** (FY16: 8.3m).

## BEST IN CLASS SUPPLY CHAIN AND CUSTOMER SERVICE

Deliver market-leading service levels through an optimised Supply Chain that is efficient and provides capacity for future growth.

### OBJECTIVE

- Supply Chain Optimisation Review to ensure the solution takes into consideration future sales growth and exit existing leasehold warehouses where appropriate.
- Improve the link between sales and manufacturing to optimise warehousing and manufacturing.
- Improve our customer experience through better information and systems.

### PROGRESS TO DATE

- 'Single Big Shed' solution recommended. A suitable 368,000 sq ft. facility was identified at Skelmersdale, Lancashire.
- Outsourcing of the warehouse management to a third party and to provide an integrated, optimised logistics solution. NFT identified as the most suitable partner and they were appointed in April 2017.
- Full transition to Skelmersdale expected to be completed in August 2017.
- NFT have brought into our business a world-class warehouse and logistics system which will ultimately allow us to enhance the customer experience and to save cost.
- Sales and Operations Planning resource introduced to improve the link between sales and manufacturing.

### KPIs

- Service level on volume fill improved from **90.0%** to **99.6%** at year end after a challenging 6 months of growth.
- **On Time In Full (OTIF)** will be introduced from August 2017.

## BUILD A PLATFORM FOR GROWTH

We are investing in infrastructure for growth as inflation drives shoppers towards good value products through Discounters and retail own label.

### OBJECTIVE

- Increase capacity at Blackburn through efficiency improvements.
- Create a new facility at Leyland that can facilitate significant growth which will include investment in new machinery.

### PROGRESS TO DATE

- Blackburn Manufacturing Optimisation Plan includes spend on machine enhancements, staff training and the introduction of a new rotating shift pattern from May 2017 onwards with commissioning on line 1 completed by April 2017 and line 2 by June 2017. Leyland has space for a further 4 lines giving 6 in total. One more new line ordered in May 2017 for Leyland which will add 15,000 tonnes p.a.
- In both sites we have hired first-class management with relevant industry experience. We have also engaged support services in Engineering, HR, Procurement, and Planning.

### KPIs

- Increase total capacity to **143,000** tonnes p.a. (FY16: 118,000 tonnes).
- Increase total capacity to **170,000** tonnes being **143,000** base above plus **15,000** tonnes new **Leyland line** plus **12,000** tonnes efficiency improvement at **Blackburn**.

# GROW THE TOPLINE



New Lidl contract

£10m+  
per annum

## Winning new contracts – Lidl

- Drawing on our experience in the Discount Sector, we pitched for the Lidl own-label tissue contract. The Lidl team visited our Blackburn site to review our credentials and facilities, and reassure themselves we had available capacity for growth.
- We carried out a marketplace review and made recommendations to Lidl on range and price points. We also presented a variety of embossing options for the product tiers (good/ better/ best) and made recommendations for each tier. Our new NTT toilet tissue was proposed for their Supersoft products on an exclusive basis.
- Following a tender process and approval of samples we made a value-added proposal to reconfigure Lidl's current pallets to become front facing, maximising product visibility – making them more shopper-friendly and potentially boosting sell through.
- We were awarded supply contracts for 10 products (3 promotional) with deliveries to commencing in September 2016. Design, artwork and pack formats were agreed and capacity booked to ensure successful delivery of this significant contract win.
- This win accelerated the need for new capacity which would require new factory space – our Leyland site.
- The contract kicked off with a four week, 18 pack toilet roll promotion, followed in November 2016 by the full range.

# BUILDING A PLATFORM FOR GROWTH



NFT awarded a

**£60.0m**  
5 year  
contract

## Enhancing our supply chain – Leyland and Skelmersdale

- A review was undertaken to determine the requirements to deliver our £250m revenue ambition. We identified the need to increase capacity and optimise our supply chain to meet delivery criteria required to win potential large Multiple contracts.
- We have also invested further in our Blackburn sites to enhance key lines, train staff and implement a new, employee friendly, rotating shift system. This will increase our existing capacity by 12,000 tonnes pa by October 2017.

### CAPACITY

- Following the review, we accelerated the search for suitable premises to house 2 converting lines purchased in April 2016 and provide space for future expansion. Our new Leyland site is able to house up to 6 converting lines, providing a potential of 60,000 tonnes or over £100m in sales pa.
- Works began in October 2016, with commissioning in January 2017. Line 1 is dedicated to toilet rolls and Line 2, which came on stream in April, will produce kitchen roll. Both lines will be fully manned on a rotating shift pattern, employing 80 new staff and management.
- A third line has been ordered and will be commissioned in March 2018, adding a further 15,000 tonnes pa capacity. This creates significant spare capacity allowing Accrol to bid for further Multiple contracts.

### CAPABILITY

- Our Supply Chain Review was challenged with finding an optimal solution to match the growth ambitions and a 'Big Shed' solution was presented to the Board in November 2016. The plan was to exit our current 6 warehouses and move to a simpler, more efficient central distribution system.
- A 368,000 sq ft. warehouse was found near Skelmersdale and NFT awarded a 5 year, £60m contract in March 2017 to provide world class logistics and warehouse management. The transition of stock and distribution commenced during April and will be complete for August 2017.
- A combination of investment in new capacity at Leyland, improving efficiency at Blackburn, and adopting the 'Big Shed' solution in Skelmersdale provides a robust platform for growth which matches the sales opportunity.

# CONTINUED STRONG SALES, PROFIT AND CASH GROWTH



**James Flude**  
Chief Financial Officer

Sales of Private Label products into Discounters and Multiples delivered year on year a 14% growth in revenues and a 58% growth in adjusted profit before tax. Net debt reduced by 69% to £19.0m.

Growth in revenue

**14%**

Growth in adjusted profit before tax

**58%**

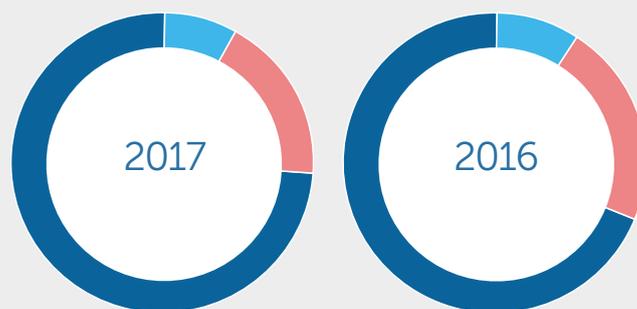
Growth in adjusted profit after tax

**57.3%**

## Key performance indicators

	2017 £'000	2016 £'000	Change
Revenue	<b>135,053</b>	118,219	+14.2%
Adjusted gross margin <sup>(1)</sup>	<b>27.9%</b>	28.1%	
Adjusted EBITDA <sup>(2)</sup>	<b>16,061</b>	15,038	+6.8%
Finance costs	<b>1,129</b>	4,941	-77.2%
Adjusted profit before tax <sup>(3)</sup>	<b>13,022</b>	8,266	+57.5%
Adjusted profit after tax <sup>(4)</sup>	<b>10,999</b>	6,992	+57.3%
Free cash flow <sup>(5)</sup>	<b>7,384</b>	4,696	+57.2%
Net debt	<b>18,988</b>	60,656	-68.7%
Net debt/adjusted EBITDA	<b>1.18 times</b>	4.03 times	
EPS – basic	<b>£0.09</b>	£576.26	

- Revenues increased by 14.2% to £135.1m.
- Gross profit increased 9.3% to £37.7m (FY16: £34.5m).
- Adjusted gross margin was 27.9% (FY16: 28.1%) supported by favourable Parent Reel pricing and significant currency hedging.
- Adjusted EBITDA increased by 6.8% year on year to £16.1m (FY16: £15.0m).
- Adjusted profit before tax increased 57.5% year on year to £13.0m.
- Adjusted profit after tax increased 57.3% year on year to £11.0m.
- Continued strong cash generation which included a £3.6m repayment of loan note interest in the current year.
- Net debt reduced £41.7m year on year to £19.0m with net debt to adjusted EBITDA reducing from 4.0 times to 1.2 times in the current year.
- Basic EPS of 9p (FY16: 57.626p).
- Final dividend proposed of 4p per Ordinary share giving a total of 6p per Ordinary share for the full year.



Multiple	8%	Multiple	9%
Other	18%	Other	22%
Discounter	74%	Discounter	69%

## Income statement

	Statutory		
	2017 £'000	2016 £'000	Change
Revenue	135,053	118,219	+14%
Cost of sales before gain/(loss) on derivative financial instruments	(97,374)	(84,996)	
Gain on derivative instruments	–	1,266	
Cost of sales	(97,374)	(83,730)	
<b>Gross profit</b>	<b>37,679</b>	34,489	+9%
Administration expenses	(15,698)	(13,138)	
Distribution costs	(11,453)	(9,431)	
<b>Operating profit</b>	<b>10,528</b>	11,920	(12%)
<b>Analysed as:</b>			
– Adjusted EBITDA <sup>(2)</sup>	16,061	15,038	+7%
– Depreciation	(1,910)	(1,831)	
– Amortisation	(2,042)	(2,060)	
– Gain on derivative financial instruments	–	1,266	
– Exceptional items	(1,581)	(493)	
<b>Operating profit</b>	<b>10,528</b>	11,920	(12%)
Finance costs	(1,129)	(4,941)	
<b>Profit before tax</b>	<b>9,399</b>	6,979	+35%
Tax charge	(2,023)	(1,274)	
<b>Profit for the year attributable to equity shareholders</b>	<b>7,376</b>	5,705	+29%
Gross margin %	27.9%	29.2%	
Adjusted gross margin % <sup>(1)</sup>	27.9%	28.1%	

Note 1: Adjusted gross margin, which is defined as gross profit excluding the (loss)/gain on derivative financial instruments is a non-GAAP metric used by management and is not an IFRS disclosure.

Note 2: 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.

Note 3: Adjusted profit before tax, which is defined as profit before tax, amortisation, (loss)/gain on derivative financial instruments and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.

Note 4: Adjusted profit after tax, which is defined as profit after tax, amortisation, (loss)/gain on derivative financial instruments and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.

Note 5: Free cash flow, which is net cash flow from operating activities is a GAAP measure used by management.

## Key performance indicators

## Revenue

2017	£135.1m
2016	£118.2m

Adjusted gross margin<sup>(1)</sup>

2017	27.9%
2016	28.1%

Adjusted EBITDA<sup>(2)</sup>

2017	£16.1m
2016	£15.0m

## Finance costs

2017	£1.1m
2016	£4.9m

Adjusted profit before tax<sup>(3)</sup>

2017	£13.0m
2016	£8.3m

Adjusted profit after tax<sup>(4)</sup>

2017	£11.0m
2016	£7.0m

Free cash flow<sup>(5)</sup>

2017	£7.4m
2016	£4.7m

## Net debt

2017	£19.0m
2016	£60.7m

## Net debt/adjusted EBITDA

2017	1.18 times
2016	4.03 times

## Chief Financial Officer's Report continued

### Revenues

Revenues grew by 14.2% or £16.8m year on year with the majority of the growth coming from the Discounters. The Discount segment of the UK tissue market has increased from 14% to 16%, taking share from the Multiples. In terms of products, toilet tissue revenues showed the highest year on year growth of 27.3% or £14.6m. As a proportion of revenue, toilet tissue has increased from 44% in the prior year to 49% in the current year.

### Gross margin

Adjusted gross margin decreased marginally by 0.2% from 28.1% for the year ended 30 April 2016 to 27.9% for the year ended 30 April 2017. Adjusted gross margin excludes the impact of unrealised gains and losses on outstanding forward foreign currency contracts valued at the Balance Sheet date. The decrease of 0.2% is mainly due to:

- In order to reduce the impact of the adverse movements in both the US\$ and Euro exchange rates, we entered into a significant volume of forward currency contracts ahead of, and following, the EU referendum, selling Sterling and purchasing both US\$ and Euros. This coupled with favourable Parent Reel pricing delivered a 0.3% improvement in adjusted gross margin.
- We have continued to invest in production head count to support the sales growth at a cost of 0.5% of adjusted gross margin.

### Administration costs

Administrative costs have increased year on year by £2.6m to £15.6m mainly due a £1.1m increase in exceptional costs, £0.6m due to increased wage costs as we continue to invest in people to support the sales growth, £0.3m due to plc related running costs and £0.6m due to insurance, depreciation and utilities.

Exceptional costs of £1.6m in the current year relate to AIM flotation costs of £0.2m (balance of £1.6m is included in the share premium account), consulting costs of £0.6m, an early settlement fee on finance leases of £0.4m and the write-off of previous deal related costs attached to the previous debt structure of £0.4m.

### Distribution costs

Distribution costs as a percentage of revenue has increased year on year by 0.5% to 8.5%. The increase is mainly due to destination mix change with an increased number of southern depots coupled with an increased usage of packaging materials.

### Finance costs

Finance costs have decreased significantly year on year by £3.8m to £1.1m mainly due to the restructuring of the debt at listing on AIM in June 2016. The 10% fixed rate secured manager loan notes, the 10% fixed rate secured investor loan notes and the majority of the finance leases were repaid at listing. A new Revolving Credit Facility of £18.0m was put in place at IPO with a drawdown at IPO of £13.0m.

### Taxation

The effective tax rate for the year was 21.5% which is higher than both the standard rate of taxation and the prior year (18.3%) primarily as a result of non-deductible expenses which largely relate to professional fees and to an element of interest charges on loan notes which are not deductible for tax purposes. The change in the statutory tax rate to 19.92% (2016: 20%) is due to the reduction in the main rate of corporation tax from 20% 1 April 2016 to 19% from 1 April 2017.

### Balance sheet

#### Property, plant and equipment

In the previous financial year, we acquired 2 further converting lines at a cost of £3.2m. In the current year, we have installed both of these machines in our new production facility at Leyland. Start-up costs of £3.4m are included in assets under construction with depreciation of the 2 lines and the start-up costs starting from May 2017.

#### Intangibles

Intangibles comprise mainly of goodwill and customer relationships. Under IFRS, goodwill is not amortised but is subject to an impairment review on at least an annual basis. Consequently, during the year, the Directors performed a review, which involved making assumptions about the future performance of the business. After carefully considering various scenarios that could occur and after looking at sensitivities on these scenarios, the Directors concluded that no impairment was required. Customer relationships have been recognised at fair value and are amortised over 10 years.

#### Working capital

	Actual		
	2017 £'m	2016 £'m	Var £'m
Inventories	14.4	9.4	5.0
Trade and other receivables	24.7	21.3	3.4
Trade and other payables	(18.8)	(15.5)	(3.3)
	20.3	15.2	5.1

Raw material stocks have increased by £2.1m with the majority of the increase supporting the sales growth with a smaller element due to us taking spot deals to take advantage of lower Parent Reel pricing. Finished goods stocks have increased by £2.9m year on year with last year significantly lower than expected due to higher sales demand around year end. Finished goods stock levels at 30 April 2017 are of an appropriate level to ensure we provide good service to our customers.

Trade receivables have increased by £3.4m in line with the sales growth, showing our continued tight control of cash collection.

Trade payables have increased £3.3m as we are choosing to take advantage of favourable credit terms on Parent Reels.

## Borrowings and cash flow

	Actual		
	2017 £'m	2016 £'m	Var £'m
Bank loan facility	<b>12.8</b>	3.7	(9.1)
Finance leases	<b>0.5</b>	10.9	10.4
Shareholder loans	-	41.1	41.1
Factoring facility	<b>9.5</b>	7.5	(2.0)
Borrowings	<b>22.8</b>	63.2	40.4
Cash and cash equivalents	<b>(3.8)</b>	(2.5)	1.3
Net debt	<b>19.0</b>	60.7	41.7

As part of the AIM flotation process, shareholder loan notes, bank loan facility and the majority of finance leases were repaid. A new Revolving Credit Facility of £18.0m was put in place with a day 1 draw down of £13.0m. The opening day net debt position following flotation was £23.1m with the above position representing a reduction of £4.1m to 1.18 times the FY17 adjusted EBITDA.

Net cash flows from operating activities increased £2.7m or 57.2% to £7.4m mainly due to higher adjusted EBITDA year on year, lower relative investment in working capital and lower interest paid following the debt restructuring noted above.

### Looking forward

After completing our first year on AIM, we are looking forward to consolidating the investments in our new production facility in Leyland and our new distribution centre in Skemersdale. As before, our goal is to provide shareholder value through the provision of quality products and services to our existing and new customers. The Board has proposed a final dividend of 4p per Ordinary share giving a total of 6p per Ordinary share for the full year. The Board remains committed to a progressive dividend policy.

### James Flude

Chief Financial Officer  
10 July 2017

## Risk and Mitigation

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

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

Principal risk	Impact	Mitigation
<b>Customer concentration</b>		
<p>The loss of a major customer.</p> <p>■</p>	<ul style="list-style-type: none"> <li>The loss of a major customer and/or being too dependent on a small number of high value customers could seriously impact the sales revenue and hence profitability of the business.</li> </ul>	<ul style="list-style-type: none"> <li>Nurture relationships with key customers.</li> <li>Understand our customers' business in order to identify opportunities.</li> <li>Ensure customer service levels are high.</li> <li>Be ready to take advantage of market opportunities to take on new customers.</li> </ul>
<b>Cost of input goods and materials</b>		
<p>Parent Reel and pulp capacity and pricing.</p> <p>▲</p>	<ul style="list-style-type: none"> <li>If prices rise above management expectations this could have a material adverse effect on the Group's ability to achieve strategic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Nurture relationships with key suppliers.</li> <li>Buy ahead.</li> <li>Take favourable spot opportunities when available.</li> <li>Remain close to market dynamics on pulp price and capacity.</li> <li>Increase knowledge of overall capacity in market to identify new opportunities.</li> <li>Remain flexible with regard to new suppliers.</li> </ul>
<b>Market and production capacity</b>		
<p>New entrant into Market.</p> <p>■</p>	<ul style="list-style-type: none"> <li>A new entrant into the market creating extra capacity and competition.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that Group remains cost competitive, delivering best quality and service to customers.</li> </ul>
<p>Winning a large customer contract.</p> <p>▲</p>	<ul style="list-style-type: none"> <li>The winning of a large contract could absorb all capacity headroom and could lead to supply issues if not managed closely.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that we optimise the performance from our current production capacity and have clear plans to establish new production lines in line with business growth/winning new contracts.</li> </ul>
<p>Installation of new converting capacity.</p> <p>▲</p>	<ul style="list-style-type: none"> <li>As the Group grows it needs to install new converting capacity to supply customers.</li> </ul>	<ul style="list-style-type: none"> <li>We have done this on numerous occasions, most recently on the 2 new machines purchased in the previous financial year.</li> </ul>

 Increasing
  Decreasing
  No movement

Principal risk	Impact	Mitigation
<b>Financial</b>		
Volatility of foreign exchange rates.	<ul style="list-style-type: none"> <li>The majority of our Parent Reel purchases are in US\$ or Euros. Fluctuations in the exchange rates could adversely affect input costs and hence profitability.</li> </ul>	<ul style="list-style-type: none"> <li>We have a hedging policy.</li> <li>Currency purchased in line with hedging policy and budgets/forecasts.</li> <li>Flex purchasing towards US\$, Euro or Sterling where appropriate.</li> <li>Significant adverse weakening of Sterling will impact the entire market with a market price increase most likely required.</li> </ul>
		
<b>Information technology dependency</b>		
The Group relies on IT systems in its day to day operations.	<ul style="list-style-type: none"> <li>Disruption in critical IT systems could have a negative impact on production and important business processes.</li> </ul>	<ul style="list-style-type: none"> <li>A recent detailed IT review and mapping exercise has been undertaken. The IT Strategy is in place and is reviewed on an ongoing basis.</li> <li>Critical business continuity plans and Disaster recovery contingencies are in place.</li> </ul>
		
<b>Human resources</b>		
Key person dependency.	<ul style="list-style-type: none"> <li>Loss of key individuals could impact the Company's ability to deliver its strategic goals and, resulting in declining performance and loss of investor confidence.</li> </ul>	<p>The Group uses a variety of techniques to attract, retain and motivate its staff, with particular attention paid to those in key roles to help ensure the long-term success of the Group. These techniques include:</p> <ul style="list-style-type: none"> <li>The regular review of remuneration packages, including share incentive schemes,</li> <li>Regular communication with staff; and</li> <li>An annual performance review process.</li> </ul>
		
<b>Regulatory</b>		
Failure to adhere to regulatory requirements such as taxation, the Data Protection Act, Health and Safety and Fire safety regulations in particular.	<ul style="list-style-type: none"> <li>A major fire would lead to production loss and even factory loss. Due to the inflammable nature of tissue and the dust created during the converting process; the Group is at a greater risk of fire than many other industries.</li> <li>Non-compliance to Data Protection and Health &amp; Safety regulations could result in fines, litigation and reputational damage.</li> </ul>	<ul style="list-style-type: none"> <li>The Board has oversight over the management of regulatory risk and compliance and designates specific responsibilities to senior management who will seek external advice where relevant.</li> <li>Ensure Group have robust operational policies, procedures, risk assessments and contingencies around fire safety regulations.</li> <li>Update and test the Disaster Recovery Plan annually.</li> </ul>
		

## Board of Directors



	Peter Cheung	Steve Crossley
<b>Position</b>	Executive Chairman	Chief Executive Officer
<b>Key strengths</b>	<p>Over 30 years of operational and financial experience in blue-chip manufacturing, FMCG and retail.</p> <p>Extensive experience in the soft tissue industry.</p>	<p>Over 35 years of experience in UK food manufacturing and distribution at senior management or Board level.</p>
<b>Date joined the Board</b>	Chairman since November 2014.	June 2016.
<b>Previous experience</b>	<p>20 years as a main Board Director.</p> <p>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.</p>	<p>Steve spent 27 years at Unigate plc and Northern Foods plc latterly as an Operating Board Director and Divisional Managing Director of Chilled Foods.</p> <p>Most recently, as Chief Executive Officer at Bright Blue Foods, 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).</p> <p>Steve has experience working with venture capitalists and banks to raise capital for investment.</p>
<b>Other commitments</b>	Appointed Non-Executive Chairman of Clearly Drinks, a private equity backed soft drinks business, in April 2017.	



### James Flude

### Joanne Lake

### Steve Hammett

#### Chief Financial Officer

#### Independent Non-Executive Director

#### Independent Non-Executive Director

Extensive experience in managing finance functions and financial reporting.

Extensive Board experience gained in a plc environment and also with AIM companies.

Range of retail experience.

January 2015.

June 2016.

June 2016.

James has 13 years of industry experience in finance roles gained in blue-chip and private equity-backed businesses.

He held various financial reporting and internal audit roles at Northern Foods plc.

James spent 6 years at ghd where he 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 has over 30 years' experience in accountancy and investment banking primarily with Panmure Gordon, Evolution Securities, Williams de Broë and Price Waterhouse.

Steve has held a number of CEO roles with Tesco in Turkey, Thailand, Czech Republic and Slovakia.

He was President of Al Futtaim Private and responsible for the growth of its retail brands, through c.400 stores in 9 Middle East and North Africa markets.

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.

Interim Customer Director and a member of the Food Board of the Co-operative Group. Responsible for c.3,000 stores.

# THE CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE



**Peter Cheung**  
Executive Chairman

I am pleased to introduce the second Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2017. This report includes my statement, an introduction to the members of the Accrol Board and the Corporate Governance Report.

The Directors place a significant emphasis on ensuring that Accrol has the appropriate governance structures in place. The Board recognise that the structure for a publicly listed entity looks very different to that required for an entrepreneurial business. As part of the preparatory work that was undertaken prior to our Initial Public Offering (IPO) on the AIM market in June 2016, a review of the kind of governance structure that was required and appropriate for Accrol, was undertaken and implemented.

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

The Committees noted below were formed upon our IPO and therefore commenced operating during the current April 2017 year end.

**Peter Cheung**  
Executive Chairman  
10 July 2017

## Governance statement

As an AIM listed business, the Group is not required to comply with the provisions or report in accordance with the UK Corporate Governance Code. The Board is, however, committed to the principles of good corporate governance and applies the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, as far as is practicable and appropriate for a public company of the Group's size and nature.

## Role of the Board

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and be responsible for the long-term success of the Group. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans.

## Division of responsibilities

There is a clear division of responsibilities between the role of the Executive Chairman and that of the Chief Executive Officer of the Group and the roles are clearly set out in writing and reviewed by the Board.

## Board responsibilities

Role	Name	Responsibility
Executive Chairman	Peter Cheung	<ul style="list-style-type: none"> <li>✓ Lead and manage the Board</li> <li>✓ Set the Board's agenda, style and tone of discussions</li> <li>✓ Ensure the Board's effectiveness in all aspects of its role</li> <li>✓ Work closely with the Chief Executive Officer on developing the Group's strategy, and providing general advice and support</li> <li>✓ Facilitate active engagement by all members</li> <li>✓ Participate in shareholder communications</li> <li>✓ Promote high standards of corporate governance</li> </ul>
Chief Executive Officer	Steve Crossley	<ul style="list-style-type: none"> <li>✓ Manage the Group's business</li> <li>✓ Develop Group strategy for consideration and approval by the Board</li> <li>✓ Lead the Senior Management Team in delivering the Group's strategic and day-to-day operational objectives</li> <li>✓ Lead and maintain communications with all stakeholders</li> </ul>
Chief Financial Officer	James Flude	<ul style="list-style-type: none"> <li>✓ Manage the Group's finances</li> <li>✓ Develop financial budgets and reports and communicate those budgets and reports to the Board</li> <li>✓ Lead the finance team</li> </ul>
Non-Executive Directors	Steve Hammett and Joanne Lake	<ul style="list-style-type: none"> <li>✓ Be available to meet with shareholders and aid communication of shareholder concerns when normal channels of communication are inappropriate</li> <li>✓ Constructively challenge and contribute to the development of Group strategy</li> <li>✓ Monitor the integrity of financial information, financial controls and systems of risk management to ensure they are robust</li> <li>✓ Review the performance of the Senior Management Team</li> <li>✓ Assist in formulating Director remuneration</li> </ul>

## The Non-Executive Directors

Each of the Non-Executive Directors are free from any relationship with the Executive Management of the Group and are free from any business or other relationship that could affect or appear to affect the exercise of their independent judgment.

Accordingly, the Non-Executive Directors are each considered by the Board to be independent, in both character and judgement.

## The operation of the Board

The Board has the authority for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. To achieve this, the Board reserves certain matters for its own determination including matters relating to Group strategy, approval of interim and annual financial results, dividend policy, major capital expenditure, budgets, monitoring performance, treasury policy, risk management, corporate governance and the effectiveness of its internal control systems. It has a schedule of matters specifically reserved for its approval. The Board performs its responsibilities through an annual programme of meetings and by continuous monitoring of the performance of the Group.

Matters considered by the Board during the year ended 30 April 2017 included:

- Finance and operations review
- Annual budget and forecasts
- Risk review
- Strategic plans
- Health & safety
- Potential merger and acquisition targets
- Reports from the Board Committees
- Board evaluation
- Impact of Brexit
- Market Abuse Regulations (MAR)
- Major capital expenditure

## Corporate Governance Statement continued

### Board Committees

The Board has delegated specific authority to the Audit Committee, Remuneration Committee and the Nomination Committee.

Joanne Lake is Chairman of the Audit Committee which also comprises Peter Cheung and Steve Hammett. The Audit Committee has the 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 meets at least 3 times a year.

Peter Cheung is Chairman of the Nomination Committee which also comprises Joanne Lake and Steve Hammett. The Nomination Committee will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets as required given the infrequency of senior appointments.

Steve Hammett is Chairman of the Remuneration Committee which also comprises Peter Cheung and Joanne Lake. The Remuneration Committee reviews the performance of the Executive Directors and determines 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 meets at least once a year.

### Board and Committee meetings

The Board meets on a formal basis regularly and met formally 8 times in the year ended 30 April 2017. Members are supplied with financial and operational information in good time for review in advance of the meetings.

The Directors attended the following meeting in the year ended 30 April 2017:

	Board	Audit	Remuneration	Nomination
Peter Cheung	8	3	–	–
Steve Crossley	8	n/a	–	–
James Flude	8	3	–	–
Steve Hammett	7	–	–	–
Joanne Lake	8	3	–	–
Total meetings	8	3	–	–

The Remuneration and Nomination Committees have not met in the current financial year as the recent IPO process had already determined the placement and remuneration of the Executive Directors and other members of the Board.

All Directors have access to the advice and services of the Company Secretary. The Board approves the appointment and removal of the Company Secretary. The Non-Executive Directors are able to contact the Executive Directors, Company Secretary or Senior Managers at any time for further information.

### Effectiveness

#### Board composition

The Board comprises the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and 2 Non-Executive Directors. The Directors' profiles appear on pages 22 to 23 and detail their experience and suitability for leading and managing the Group. Together they bring a valuable range of expertise and experience to the Group. No individual or group of individuals dominate the Board's decision-making process. The Executive Chairman fosters an atmosphere of debate and challenge in the boardroom, built on his challenging but supportive relationship with the Chief Executive Officer which sets the tone for Board interaction and discussions.

### Diversity

Vacancies on the Board will be filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee. The Group recognises the importance of diversity at Board level and the Board comprises individuals with a wide range of skills and experiences from a variety of business backgrounds. The current female representation on the Board is 20%.

### Appointment of Non-Executive Directors

Non-Executive Directors are appointed to the Board following a formal, rigorous and transparent process, involving external recruitment agencies, to select individuals who have a depth and breadth of relevant experience, thus ensuring that the selected candidates will be capable of making an effective and relevant contribution to the Board. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee.

### Terms of appointment and time commitment

All Non-Executive Directors are appointed for an initial term of 6 months after which the appointments are terminable by either the Group or the Non-Executive Director on 1 month's notice. All Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to attend all Board meetings and committee meetings of which they are members and any additional meetings as required.

Further details of their terms and conditions are summarised in the Remuneration Report on pages 29 to 33 and the terms and conditions of appointment of the Non-Executive Directors are available at the Company's Registered Office.

### Induction and professional development

New Directors are given a formal induction process including details of how the Board and Committees operate, meetings with Senior Management and information on Group strategy, products and performance. Training and development needs of Directors are reviewed regularly. The Directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group from the Company Secretary, the Chief Financial Officer and the Group's external auditors and advisers.

### Professional advice, indemnities and insurance

There is provision for Directors to take independent professional advice relating to the discharge of their responsibilities should they feel they need it. The Group has arranged Directors' and Officers' liability insurance against certain liabilities and defence costs. However, the Directors' insurance does not provide protection in the event of a Director being found to have acted fraudulently or dishonestly.

### Board and Committee evaluation

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

### Election and re-election of Directors

At each Annual General Meeting the shareholders shall vote on resolutions to both elect any Director who has been appointed since the last Annual General Meeting and also to re-elect any Director who has not been appointed, elected or re-elected at one of the 2 previous Annual General Meetings.

### Remuneration Committee

The Remuneration Committee comprises Steve Hammett, Peter Cheung and Joanne Lake. The Committee has Terms of Reference that are reviewed at least annually.

The role of the Committee is to:

- Set the remuneration policy for all Executive Directors and the Chairman.
- Recommend and monitor the level and structure of senior management remuneration.
- Ensure that the remuneration payments made to any Director are consistent with the approved policy.
- Oversee incentives-based remuneration for Senior Management or employees.

In carrying out these duties the Committee shall ensure the appropriateness, relevance and market practice in respect of such remuneration policy.

### Nomination Committee

The Nomination Committee comprises Peter Cheung, Joanne Lake and Steve Hammett and will meet as and when it is necessary to do so. The Committee has Terms of Reference that are reviewed at least annually.

The Committee's role is to:

- Ensure that appropriate procedures are in place for the nomination and selection of candidates for appointment to the Board considering the balance of skills, knowledge and experience of the Board.
- Make recommendations to the Board regarding re-election of Directors, succession planning and Board composition, having due regard for diversity, including gender.
- Consider succession planning for Senior Management and membership of the Audit and Remuneration Committees.

### Audit Committee

The Chief Executive Officer, Chief Financial Officer and external audit partner attend a number of these meetings. The Audit Committee also meets with the external audit partner without the Executives present. The role of the Committee is to:

- Consider the appointment, fees, independence and effectiveness of the auditor and the audit process, and discuss the scope of the audit and its findings.
- Review audit and non-audit services and fees.
- Monitor the Group's accounting policies.
- Review and challenge the Group's assessment of business risks and internal controls to mitigate these risks.
- Review the annual and interim statements prior to their submission for approval by the Board.
- Review and challenge the going concern assumptions for the Group.
- Review the Group's whistle-blowing policy.
- Annually assess the performance of the external auditor.

It is the task of the Audit Committee to ensure that auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work.

The Audit Committee provides advice to the Board on whether the Annual Report is fair, balanced and provides the necessary information shareholders require to assess the Group's performance, business model and strategy. In doing so, the following issues have been addressed:

- Review of key strategic risks – the Audit Committee conducts a review of the key strategic risks every 6 months. The review highlights the key risks based on a combination of likelihood and impact and then also considers what appropriate mitigation has been and should be implemented. The key risks are included in the Strategic Review.
- Review of judgements made by management, including the discount rate used in determining whether there has been an impairment of goodwill and any other key considerations such as the accounting for the IPO.
- Going Concern – the conclusion of the review of the going concern assessment is included below.

The Board is confident that the collective experience of the Audit Committee enables them to continue to act as an effective committee. The Audit Committee has access to the financial expertise of the Group and its auditors and can seek professional advice at the Group's expense if required.

### Risk management

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is the reward for taking and accepting risk. The Directors consider risk management to be crucial to the Group's success and give a high priority to ensuring that adequate systems are in place to evaluate and limit risk exposure.

Management reports to the Audit Committee regularly on their review of risks, how the risks are managed and monitored, and what actions have been assigned in relation to those risks. The Audit Committee reviews the inherent risks, including the key risks and the system of control necessary to manage such risks. The Audit Committee reviews the effectiveness of the Group's procedures in managing risk. The business risks and controls to mitigate the risks are formally reviewed by the Audit Committee and the Board at least twice a year. The Board are satisfied that this process identifies, evaluates and manages the significant risks faced by the Group.

### Internal control

The Board are responsible for the Group's system of internal control and for reviewing its effectiveness, taking guidance from the Audit Committee. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

Key features of the internal control system are as follows:

- The Group has an organisational structure with clear responsibilities and lines of accountability. The Group promotes the values of integrity and professionalism. The members of the Board are available to hear, in confidence, any individual's concerns about improprieties.
- The Board has a schedule of matters expressly reserved for its consideration. This schedule includes potential acquisitions, major capital projects, treasury, risk management policies, approval of budgets and health & safety.
- The Board monitors the activities of the Group through the management accounts, monthly forecasts and other reports on current activities and plans. The Senior Management Team regularly monitors financial and operational performance in detail.

## Corporate Governance Statement continued

- The Group has set appropriate levels of authorisation which must be adhered to as the Group concludes its business.
- The Group operates a whistle-blowing policy which is communicated to all employees via the Employee Handbook.

### Going concern

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the foreseeable future. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment and financial covenants.

With regard to the Group's financial position, it had cash and cash equivalents at the year end of £3.9m (2016: £2.5m). Net debt was £19.0m (2016: £60.6m).

Having taken the above into consideration, the Directors have reached the conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Remuneration

The level of remuneration of the Directors is set out in the Remuneration Report on page 30.

### Relations with shareholders

The Board appreciates that effective communication with the Group's shareholders and the investment community as a whole is a key objective. The Chairman's Statement, the Chief Executive's Statement and the Strategic Report and Financial Review, together with the information in the Annual Report of the Group, provides a detailed review of the business. The views of both institutional and private shareholders are important, and these can be varied and wide-ranging, as is their interest in the Group's strategy, reputation and performance. The Executive Directors have overall responsibility for ensuring effective communication and the Group maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The views of shareholders are sought through direct contact and via feedback from advisers and are communicated to the Board as a whole. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is sent to shareholders at least 14 working days before the meeting. The Group's website 'www.accrol.co.uk' is regularly updated and provides additional information on the Group including information on the Group's products and technology.

### Annual General Meeting

This year's Annual General Meeting includes a presentation by the Chief Executive on the current progress of the business and allows the opportunity for questions on this or any of the resolutions before the meeting. The Company proposes separate resolutions for each issue and specifically relating to the Reports and Financial Statements. The Company ensures all proxy votes are counted and indicates the level of proxies on each resolution along with the abstentions after it has been dealt with on a show of hands.

After the meeting, shareholders have the opportunity to talk informally to the Board and raise any further questions or issues they may have. The outcome of the Annual General Meeting, a copy of the Annual General Meeting presentation and details of the poll results will be posted on the Group's website after the meeting.

### Richard Almond

Company Secretary  
10 July 2017

## Remuneration Committee

# STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE



**Steve Hammett**  
Chairman of the  
Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for Accrol Group Holdings plc for the year ended 30 April 2017. This report includes my statement, the Annual Report on remuneration for the year and sets out our Directors' remuneration policy which has been in place since the Group's Admission onto AIM on 10 June 2016.

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

#### **Our Directors' remuneration policy**

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

Our overall goal is to have a remuneration strategy which stimulates sustainable value creation for the business and rewards the performance of management accordingly.

## Remuneration Committee continued

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

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

### Business context and Remuneration Committee decisions on remuneration

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

- organic growth through Discounters;
- increasing market share through multiples; and
- operational improvements and capacity utilisation.

In addition to these key areas, the Board will also consider complementary acquisitions.

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

During the previous financial year, the Board considered and approved the implementation of an annual bonus plan and management incentive plan to incentivise key management to generate growth in line with our long-term strategies. There have been no revisions to these plans in the current financial year. Further details on these are set out in the remuneration policy section of this report.

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

- Annual Report on remuneration providing details of the payments made to Directors in the year ending 30 April 2017, pages 30 to 31.
- Directors' remuneration policy setting out the Company's remuneration policy, pages 31 to 33.

### Steve Hammett

Chairman of the Remuneration Committee  
10 July 2017

## Annual remuneration report for 2017

### Remuneration Committee

On Admission, the Company established a Remuneration Committee comprising of the following members:

- Steve Hammett
- Peter Cheung
- Joanne Lake

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

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

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

The Remuneration Committee meets at least once a year and otherwise as required. In the current financial year, the Remuneration Committee has met nil times as the Committee met twice just prior to the commencement of this financial year and in preparation for the IPO.

### Directors' remuneration

The tables below set out the total remuneration for Executive and Non-Executive Directors for the financial year ending 30 April 2017 and 30 April 2016.

#### Executive Directors

	Salaries £	Benefits in kind £	Share based payments £	Post employment benefits £	Total remuneration 2017 £	Total remuneration 2016 £
Majid Hussain <sup>(1)</sup>	9,584	–	–	–	<b>9,584</b>	84,000
Jawid Hussain <sup>(1)</sup>	12,323	–	–	–	<b>12,323</b>	108,000
John Flanagan <sup>(1)</sup>	11,353	–	–	–	<b>11,353</b>	102,180
Gary Earle <sup>(1)</sup>	21,958	–	–	–	<b>21,958</b>	204,804
Colin Platt <sup>(1)</sup>	10,666	–	–	–	<b>10,666</b>	96,000
James Flude <sup>(2)</sup>	180,000	860	65,333	20,445	<b>266,638</b>	114,000
Steve Crossley	238,562	1,236	65,333	–	<b>305,131</b>	–
Peter Cheung <sup>(3)</sup>	88,767	1,404	65,333	11,138	<b>166,642</b>	–

## Non-Executive Directors

Name	Total fees 2017 £	Total fees 2016 £
Peter Cheung <sup>(2)(3)</sup>	62,000	72,000
Steve Hammett <sup>(4)</sup>	35,507	–
Joanne Lake <sup>(4)</sup>	37,282	–

- (1) On 10 June 2016, Majid Hussain, Jawid Hussain, John Flanagan, Gary Earle and Colin Platt resigned as Directors of the Company as part of the Admission process.
- (2) James Flude purchased 100 C Shares and 572 D Shares and Peter Cheung purchased 250 C Shares and 572 D Shares in June 2015. 50% of the shares were sold on Admission and the remaining 50% are subject to a lock-in which expired on 10 June 2017. There are no performance conditions or other conditions attaching to these shares which are fully vested to the individuals.
- (3) At the time of Admission, Peter Cheung took on an Executive Chairman role. It is expected that he will continue this role for a short period post-Admission before moving back into a Non-Executive role.
- (4) Steve Hammett and Joanne Lake became Non-Executive Directors on 10 June 2016.

## Remuneration policy

The remuneration policy has been applied from the time of Admission. The Remuneration Committee will periodically review the policy to confirm the remuneration framework continues to align with the strategy and objectives of the business.

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

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

As part of this an annual bonus plan has been introduced which took effect from the start of this financial year. The Company has also adopted a Management Incentive Plan ("MIP"), to align the interests of Senior Management with those of the shareholders. There are no other employee share plans currently in place, however, the Company may, in the future, look to introduce an employee share plan for the broader employee base.

## Remuneration policy summary – Executive Directors

Purpose and link to strategy	Operation
<b>Base salary</b>	
To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain Directors of sufficient calibre required to support achievement of both short- and long-term value creation.	<p>The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary.</p> <p>Base salaries are benchmarked against the AIM companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance.</p> <p>There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee.</p> <p>The Remuneration Committee will take account of relevant comparator group data as well as pay increases awarded to other groups of employees within the Company.</p>
<b>Benefits</b>	
To attract and retain the right individuals and level of talent required to support achievement of both short- and long-term value creation.	<p>Benefits include but may not be limited to private medical insurance, cash car allowance and life assurance cover.</p> <p>Other benefits may be provided to the Directors if considered appropriate by the Committee.</p>

## Remuneration Committee continued

Purpose and link to strategy	Operation
<p><b>Pension</b></p> <p>To attract and retain the right individuals and level of talent required to support achievement of both short- and long-term value creation.</p>	<p>An annual pension allowance equivalent to 12.5% of base salary which is paid either into a pension scheme operated by the Company or a personal pension held by the individual, with the balance paid as an additional cash payment through payroll.</p> <p>Consideration of the new rules applying to pensions, taking into account the individual lifetime and annual allowances, are made when determining the most appropriate mix of pension and cash contributions for each individual on an annual basis.</p>
<p><b>Annual Bonus Plan</b></p> <p>To incentivise delivery of the Group's annual financial and strategic goals.</p>	<p>The annual bonus payment will depend on the level of performance delivered against specific targets, with a threshold level being set below which no bonus will be paid. The performance range is outlined below:</p> <ul style="list-style-type: none"> <li>• Threshold performance – achieving 90% of the relevant target – payout of 25% of the relevant part of the award.</li> <li>• Budget performance – achieving 100% of the relevant target – pay out of 60% of the relevant part of the award.</li> <li>• Maximum performance – achieving 110% of the relevant target – payout of 100% of the relevant part of the award.</li> </ul> <p>In measuring performance, the following performance measures will be used:</p> <ul style="list-style-type: none"> <li>• Profit before tax – 80% of award.</li> <li>• Cash generation – 20% of the award.</li> </ul> <p>The maximum bonus available is 100% of base salary per annum. This would only be paid out if the maximum targets are met.</p> <p>The Remuneration Committee will review the bonus plan each year and may amend the terms of the plan to ensure it remains fit for purpose.</p>
<p><b>Management Incentive Plan ("MIP")</b></p> <p>To incentivise the delivery of key performance measures over the long term.</p> <p>To retain key executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.</p>	<p>The MIP is a one-off award in connection with the Admission; there is no intention to make ongoing annual awards.</p> <p>The MIP involves the use of shares ("MIP Shares") which entitles the holders to a proportion of the value of the business above a pre-determined hurdle level. The hurdle has been set at a premium of 30% to the share price of the Company on Admission.</p> <p>The MIP has a 3-year vesting period after which a participant can choose to sell their MIP Shares to the Company (or the Company could choose to call for their MIP Shares).</p> <p>MIP participants will also be able to sell their MIP Shares prior to the end of the vesting period should the Company be acquired by a third party.</p> <p>The Company may, at its discretion, purchase the MIP Shares for cash or by way of the issue of Ordinary shares in the Company as consideration. The number of Company shares that can be acquired in exchange for the vested growth shares will be calculated based on the value of the growth shares held by an individual at the time of the exchange and the share price of the Company on that date.</p>

### Footnotes to the remuneration policy

- Ancillary benefits include private medical insurance expenses, life assurance cover (at 4 times basic salary), provision of a £10,000 per annum car allowance (Steve 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).

### Termination of employment

Each Executive Director has a service agreement which may be terminated by either party serving 12 months written notice. However, payment of remuneration during the notice period will be made monthly and terminated at the discretion of the Company should the individual take-up alternative employment.

### Annual bonus plan

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

### MIP

During the vesting period, if a participant ceases to be a Director or employee of a member of the Group other than in certain 'Good Leaver' circumstances, 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 Remuneration Committee consent; retirement at the normal retirement age in accordance with the Group's internal policies; or any other reason the Board (acting with Remuneration Committee 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 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.

### Remuneration policy table – Non-Executive Directors

Purpose and link to strategy	Operation
<b>Non-Executive Directors' fees</b>	
To attract and retain the right individuals required to support the achievement of both short- and long-term value creation.	<p>Fees for Non-Executive Directors are based on market practice and are reviewed by the Board each year.</p> <p>All Non-Executive Directors receive a basic fee each year with an additional fee provided for each committee chairmanship and membership.</p> <p>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.</p> <p>These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally.</p>

## Directors' Report

The Directors present their report together with the audited consolidated financial statements, along with the Auditor's Report for the year ended 30 April 2017.

### Corporate structure

In anticipation of Admission, Accrol Group Holdings Limited, completed a capital restructuring on 1 June 2016 in which all existing A, B, C and D Ordinary shares were converted into Ordinary and Deferred shares only. Following the capital restructuring, on the same day, 1 June 2016, Accrol Group Holdings Limited re-registered as Accrol Group Holdings plc, a public company limited by shares. On 10 June 2016, Accrol Group Holdings plc was admitted to the AIM market of the London Stock Exchange.

### The Board

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

Peter Cheung  
Steve Roy Crossley (appointed 10 June 2016)  
James Paul Maurice Flude  
Joanne Carolyn Lake (appointed 10 June 2016)  
Steve Hammett (appointed 10 June 2016)  
Dan Wright (resigned 10 June 2016)  
Majid Hussain MBE (resigned 10 June 2016)  
Jawid Hussain (resigned 10 June 2016)  
John Flanagan (resigned 10 June 2016)  
Gary Earle (resigned 10 June 2016)  
Colin Platt (resigned 10 June 2016)

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 29 to 33. Details of the Directors' interests in the share capital of the Company are set out on page 35. The roles and biographies of the Directors as at the date of this report are on pages 22 to 23.

### Directors' indemnity and insurance

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

### Dividends

In respect of the year ended 30 April 2017, the Directors have approved and paid an interim dividend of 2p per share (2016: 5nil). The Directors intend to approve a final dividend of 4p per share which is subject to approval at the Annual General meeting on 22 September 2017.

### Financial instruments

Details of the Group's financial risk management objectives and policies are disclosed in Note 18 to the financial statements.

### Admission to AIM

On Admission, the net proceeds of the Placing receivable by the Company were £41.4m being the gross proceeds of £43.3m less estimated fees and expenses related to the Placing of £1.9m.

The Directors believe that this has:

- strengthened the Company's capital structure and positioned it for the continued implementation of its growth strategy;
- given the Company access to a wider range of capital-raising options which may be of use in the future; and
- further improved the ability of the Company to recruit, retain and incentivise its key management and staff.

As a consequence, the Directors believe that the Company is in a strong financial position to continue in operational existence for the foreseeable future.

### Future developments in the business of the Company

The likely future developments in respect of the business of the Company can be found in the Strategic Report on pages 1 to 21 and forms part of this report by reference.

### Corporate governance

A report on Corporate Governance and compliance with the QCA Corporate Governance Code is set out on pages 24 to 28, and forms part of this report by reference.

### Health and safety

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

### Charitable and political donations

Charitable donations of £24,390 (2016: £35,230) were made during the year. There were no political donations during the year.

### Employee involvement and policy regarding disabled persons

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

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

In the current year we have improved and formalised our communications to all employees. These communications ensure that all have an awareness of the major economic and financial factors that impact upon the performance of the business. We are currently undertaking our first employee engagement survey which will help shape our future strategy with regards to employee involvement.

### Share capital

The details of the issued share capital at the beginning of the financial year can be found in Note 20 to the consolidated financial statements. On the 1 June 2016 the Company completed a capital restructuring of the Group in which all existing A, B, C and D Ordinary shares were converted into 1 class of Ordinary and Deferred shares. The rights attached to the Company's Ordinary and Deferred shares are set out in the Articles of Association.

As a condition of the Placing agreement, each of the Directors and the pre-Admission shareholders undertook not to dispose of any Ordinary shares (without the consent of Zeus Capital), for a period of 12 months from the date of Admission. Additionally, shareholders have agreed for a further 6 months to comply with certain conditions prior to any disposal.

### Authority for the Company to purchase its own shares

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.

### Authority to allot shares

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

### Directors' interests

The interests in the shares of the Company of those Directors serving at 30 April 2017, and as at the date of approving of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	Class of share As at 30 April 2017	Number of £.001 Ordinary shares As at 30 April 2017		% of issued share capital As at 30 April 2017
Peter Cheung	Ordinary	611,683		0.66%
Steve Crossley	Ordinary	100,000		0.11%
James Flude	Ordinary	244,680		0.26%
Joanne Lake	Ordinary	25,000		0.03%

### Substantial shareholders

As at 30 April 2017, the Company was aware of the following interests representing 3% or more of the issued share capital of the Company, correct as at the date of notification.

Investor	Number of shares	Percentage
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%
Miton Asset Management plc	10,075,698	10.8%
Schroder Investment Management	6,847,693	7.4%
Majedie Asset Management Limited	5,730,265	6.2%
Ruffer LLP (for its discretionary clients of the Ruffer Group)	4,409,200	4.7%
Premier Fund Managers Limited	3,600,000	3.9%
Axa Investment Managers SA	2,850,000	3.1%

As at 7 July 2017, the Company was aware of the following interests representing 3% or more of the issued share capital of the Company, correct as at the date of notification. It should be noted that these holdings may have changed since notified to the Company, however, notification of any change is not required until the next applicable threshold is crossed.

Investor	Number of shares	Percentage
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%
Miton Asset Management plc	10,075,698	10.8%
Majedie Asset Management Limited	5,730,265	6.2%
Schroder Investment Management	5,153,508	5.5%
Ruffer LLP (for its discretionary clients of the Ruffer Group)	3,626,400	3.9%
Hargreave Hale	3,200,766	3.4%
Premier Fund Managers Limited	3,082,000	3.3%
Axa Investment Managers SA	2,850,000	3.1%

### Significant agreements

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

### Going concern

The Chairman's review and the Chief Executive's Review on pages 4 and 6, outline the business activities of the Group along with the factors which may affect its future development and performance. The financial review discusses the Group's financial position, along with details of its cash flow and liquidity. Note 18 to the financial statements sets out the Group's financial risks and the management of those risks.

Having prepared management forecasts and made appropriate enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Group and Company financial statements.

### Disclosure of information to the auditors

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

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

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

### Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at Accrol Group Holdings plc (formerly Accrol Group Holdings Limited), Delta Building, Roman Road, Lancashire, BB1 2LD on 22 September 2017 at 2pm.

On behalf of the Board of Directors

### Steve Crossley

Chief Executive Officer  
10 July 2017

### James Flude

Chief Financial Officer

## Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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

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

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

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

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

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

Signed on behalf of the Board of Directors

**Steve Crossley**

Chief Executive Officer

10 July 2017

**James Flude**

Chief Financial Officer

# Independent Auditor's Report to the Members of Accrol Group Holdings plc (formerly Accrol Group Holdings Limited)

For year ended 30 April 2017

## Report on the group financial statements

### Our opinion

In our opinion, Accrol Group Holdings plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 30 April 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 30 April 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### Other matters on which we are required to report by exception

#### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

### Other matter

We have reported separately on the company financial statements of Accrol Group Holdings plc for the year ended 30 April 2017.

### Hazel Macnamara (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

10 July 2017

## Consolidated Income Statement

For year ended 30 April 2017

Continuing operations	Note	2017 £'000	2016 £'000
Revenue	4	<b>135,053</b>	118,219
– Cost of sales before gain on derivative financial instruments		<b>(97,374)</b>	(84,996)
– Gain on derivative financial instruments		–	1,266
Cost of sales		<b>(97,374)</b>	(83,730)
<b>Gross profit</b>		<b>37,679</b>	34,489
Administration expenses		<b>(15,698)</b>	(13,138)
Distribution costs		<b>(11,453)</b>	(9,431)
<b>Operating profit</b>	5	<b>10,528</b>	11,920
<b>Analysed as:</b>			
– Adjusted EBITDA <sup>1</sup>		<b>16,061</b>	15,038
– Depreciation	10	<b>(1,910)</b>	(1,831)
– Amortisation	11	<b>(2,042)</b>	(2,060)
– Gain on derivative financial instruments		–	1,266
– Exceptional items	5	<b>(1,581)</b>	(493)
<b>Operating profit</b>		<b>10,528</b>	11,920
Finance costs		<b>(1,129)</b>	(4,941)
<b>Analysed as:</b>			
– Finance costs on pre-IPO debt structure	8	<b>(478)</b>	(4,456)
– Finance costs on post-IPO debt structure	8	<b>(651)</b>	(485)
<b>Finance costs</b>		<b>(1,129)</b>	(4,941)
<b>Profit before tax</b>		<b>9,399</b>	6,979
Tax charge	9	<b>(2,023)</b>	(1,274)
<b>Profit for the year attributable to equity shareholders</b>		<b>7,376</b>	5,705

## Consolidated Statement of Comprehensive Income

For the year ended 30 April 2017

	2017 £'000	2016 £'000
<b>Profit for the year attributable to equity shareholders</b>	<b>7,376</b>	5,705
Other comprehensive (expense)/income for the year		
Revaluation of derivative financial instruments <sup>2</sup>	<b>(2,868)</b>	–
Tax relating to components of other comprehensive income	<b>545</b>	–
<b>Total comprehensive income attributable to equity shareholders</b>	<b>5,053</b>	5,705
<b>Earnings per share</b>	<b>£</b>	<b>£</b>
Basic and diluted	6	576.26
Adjusted	25	680.20

The notes on pages 42 to 61 are an integral part of these consolidated financial statements.

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

Note 2: Items that could potentially be reclassified subsequently to profit and loss.

## Consolidated Statement of Financial Position

As at 30 April 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	10	26,914	24,407
Intangible assets	11	29,742	31,744
<b>Total non-current assets</b>		<b>56,656</b>	56,151
<i>Current assets</i>			
Inventories	12	14,358	9,361
Trade and other receivables	13	24,670	21,277
Cash and cash equivalents	14	3,867	2,456
Deferred tax asset		545	–
Derivative financial instruments	17	841	–
<b>Total current assets</b>		<b>44,281</b>	33,094
<b>Total assets</b>		<b>100,937</b>	89,245
<i>Non-current liabilities</i>			
Borrowings	16	13,146	50,919
Deferred tax liabilities	9	4,336	4,478
Derivative financial instruments	17	474	–
<b>Total non-current liabilities</b>		<b>17,956</b>	55,397
<i>Current liabilities</i>			
Borrowings	16	9,709	12,193
Trade and other payables	15	18,840	15,454
Income taxes payable		920	909
Derivative financial instruments	17	3,235	190
<b>Total current liabilities</b>		<b>32,704</b>	28,746
<b>Total liabilities</b>		<b>50,660</b>	84,143
<b>Net assets</b>		<b>50,277</b>	5,102
<i>Capital and reserves</i>			
Share capital	20	93	13
Share premium		41,597	84
Hedging reserve		(2,323)	–
Capital redemption reserve		27	–
Retained earnings		10,883	5,005
<b>Total equity shareholders' funds</b>		<b>50,277</b>	5,102

The financial statements on page 38 to 41 were approved by the Board of Directors on 10 July 2017.

Signed on behalf of the Board of Directors

**Steve Crossley**

Chief Executive Officer

**James Flude**

Chief Financial Officer

Company Registration Number 09019496

## Consolidated Statement of Changes in Equity

For year ended 30 April 2017

	Note	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	(Accumulated losses)/retained earnings £'000	Total equity £'000
<b>Balance at 1 May 2015</b>		10	50	–	–	(700)	(640)
Transactions with owners							
Issue of Ordinary shares		3	34	–	–	–	37
Total for transactions with owners		3	34	–	–	–	37
Comprehensive income							
Profit for the year		–	–	–	–	5,705	5,705
Total comprehensive income		–	–	–	–	5,705	5,705
<b>Balance at 30 April 2016 and at 1 May 2016</b>		13	84	–	–	5,005	5,102
<i>Comprehensive income/(expense)</i>							
Profit for the year		–	–	–	–	7,376	7,376
Revaluation of derivative financial instruments		–	–	(2,868)	–	–	(2,868)
Tax relating to components of other comprehensive income		–	–	545	–	–	545
Total comprehensive income		–	–	(2,323)	–	7,376	5,053
<i>Transactions with owners recognised directly in equity</i>							
Bonus issue of shares	20	64	(64)	–	–	–	–
Proceeds from shares issued	20	43	43,285	–	–	–	43,328
Buy-back of Deferred shares for consideration of £1	20	(27)	–	–	27	–	–
Transaction costs		–	(1,708)	–	–	166	(1,542)
Dividends		–	–	–	–	(1,860)	(1,860)
Share-based payments		–	–	–	–	196	196
Total transactions recognised directly in equity		80	41,513	–	27	(1,498)	40,122
<b>Balance at 30 April 2017</b>		<b>93</b>	<b>41,597</b>	<b>(2,323)</b>	<b>27</b>	<b>10,883</b>	<b>50,277</b>

## Consolidated Cash Flow Statement

For the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
<i>Cash flows from operating activities</i>			
Operating profit		10,528	11,920
<i>Adjustment for:</i>			
Depreciation	5,10	1,910	1,831
Amortisation	5,11	2,042	2,060
(Gain) on derivative financial instruments		–	(1,266)
Grant income		(212)	(61)
Exceptional items		1,016	–
Share-based payments		196	–
Profit on disposal of property, plant and equipment		(26)	(22)
<b>Operating cash flows before movements in working capital</b>		<b>15,454</b>	<b>14,462</b>
(Increase)/decrease in inventories		(4,997)	20
Increase in trade and other receivables		(3,224)	(1,975)
Increase/(decrease) in trade and other payables		6,431	(1,433)
<b>Cash generated from operations</b>		<b>13,664</b>	<b>11,074</b>
Tax paid		(2,149)	(1,460)
Interest paid		(4,131)	(4,918)
<b>Net cash flows from operating activities</b>		<b>7,384</b>	<b>4,696</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(4,417)	(683)
Proceeds from sale of property, plant and equipment		56	48
<b>Net cash flows used in investing activities</b>		<b>(4,361)</b>	<b>(635)</b>
<i>Cash flows from financing activities</i>			
Proceeds of issue of Ordinary shares		43,328	37
Cost of raising finance		(1,971)	–
Increase in amounts due to factors		2,038	1,656
Repayment of capital element of finance leases		(10,737)	(3,082)
Repayment of bank loans		(3,900)	(1,200)
Receipt of new bank loans		12,730	–
Repayment of shareholder loans/loan notes		(41,240)	–
Drawdown of shareholder loans/loan notes		–	249
Dividend paid to Ordinary shareholders		(1,860)	–
<b>Net cash flows from financing activities</b>		<b>(1,612)</b>	<b>(2,340)</b>
Net increase in cash and cash equivalents		1,411	1,721
Cash and cash equivalents at beginning of the year	14	2,456	735
<b>Cash and cash equivalents at year end</b>	14	<b>3,867</b>	<b>2,456</b>

# Notes to the Consolidated Financial Information

## For the year ended 30 April 2017

### 1. General information

Accrol Group Holdings plc (formerly Accrol Group Holdings Limited), (the "Company") was incorporated in England 30 April 2014 with company number 09019496. It is a public company limited by shares and it is domiciled in England in the United Kingdom. The registered address of the Company is the Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD.

The Company's subsidiaries are listed in Note 22, which together with the Company form the Accrol Group Holdings plc Group (the "Group").

### 2. Summary of significant accounting policies

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

#### Basis of preparation

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

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

#### 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 consolidated financial statements of the Group in the year 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 years.

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

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

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

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

### Segments

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

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

### Revenue

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

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

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

### Cost of sales

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

### Exceptional items

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

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

### EBITDA and Adjusted EBITDA

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

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

### Foreign currency

#### Functional and presentation currency

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

### Transactions and balances

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

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

### Property, plant and equipment

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

- |   |  |
|---|--|
| • Leasehold land and Buildings            | straight line over term of lease         |
| • Plant and Machinery                     | 10% straight line,<br>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.

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

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

##### 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.

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

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

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

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

##### Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. All tangibles and intangibles are allocated to the Group's sole CGU (see Note 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, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

##### Financial liabilities

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

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

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

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

##### Share-based payments

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

##### Leases

##### Finance leases

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

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

##### Operating leases

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

##### Government grants

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

### Inventories

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

### Trade and other receivables

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

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

Cash and cash equivalents in the balance sheet comprise cash at bank, short-term deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 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 1 year or less. If not, they are presented as non-current liabilities.

### Current taxation

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

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

### Deferred taxation

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

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

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

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

### Provisions

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

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

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

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

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

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

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

##### Goodwill and intangible asset impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its sole CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in Note 11.

##### 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.

##### Accounting for IPO

The successful completion of the IPO has resulted in a significant change in the Group's financing structure, both in terms of equity and debt and has had a significant impact upon the Group financial statements. Accounting for the IPO and, in particular, for the transaction fees incurred requires an element of judgement as costs determined to be directly related to the IPO are deducted from the share premium account. Non directly related are expensed as incurred.

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 4. Revenue

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

	2017 £'000	2016 £'000
United Kingdom	132,184	118,041
Europe	2,869	178
<b>Total</b>	<b>135,053</b>	<b>118,219</b>

#### Major customers

In 2017 there were 4 major customers that individually accounted for at least 10% of total revenues (2016: 4 customers). The revenues relating to these customers in 2017 were £31,597,000, £14,532,000, £13,981,000, £12,602,000 (2016: £25,369,000, £14,300,000, £13,769,000 and £12,375,000).

#### 5. Operating profit

Operating profit is stated after charging/(crediting):

	2017 £'000	2016 £'000
Employee benefit expense	11,857	9,927
Depreciation of property, plant and equipment (included in administration expenses)	1,910	1,831
Amortisation of intangible assets (included in administration expenses)	2,042	2,060
Profit on disposal of property, plant and equipment	(26)	(22)
Operating lease rentals	1,957	1,946
Net foreign exchange losses/(gains)	27	(1,332)
Grants income	(212)	(61)
Auditors' remuneration	311	59
Inventories recognised as expenses	75,947	66,807
<b>Exceptional items</b>		
Professional fees relating to the AIM flotation	208	–
Early settlement charges on finance leases	454	–
Acquisition deal fees	352	–
Consultancy fees	567	334
Other	–	159
	<b>1,581</b>	<b>493</b>

The exceptional items are described below:

#### Year ended 30 April 2017

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

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

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

#### Year ended 30 April 2016

One-off consultancy fees totalling £334,000 were incurred in relation to a market, competitor, customer and working capital 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 cost of repair was £159,000.

## Auditor's remuneration

	2017 £'000	2016 £'000
Audit services – Company	13	7
Audit services – Rest of Group	53	29
<i>Non-audit services:</i>		
Tax compliance services	11	10
Tax advisory services	9	13
Advice upon IPO	225	–
	<b>311</b>	59

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

	2017 £'000	2016 £'000
Profit for the year attributable to shareholders	<b>7,376</b>	5,705
	Number	Number
Basic weighted average number of shares <sup>1</sup>	<b>85,113,194</b>	9,900
	Number	Number
Dilutive share options	<b>1,321,025</b>	–
Diluted weighted average number of shares	<b>86,434,219</b>	–
	£	£
Basic earnings per share	<b>0.09</b>	576.26
Diluted earnings per share	<b>0.09</b>	576.26

Note 1: In the year ended 30 April 2016 and 2017, the basic weighted average number of shares was calculated by excluding the D class of shares (see Note 20) as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

The share option scheme in operation post flotation is dependent upon share price movements and could therefore result in future dilution of earnings per share.

## 7. Employee costs

	2017 £'000	2016 £'000
Employee costs during the year amounted to:		
Wages and salaries	<b>10,748</b>	9,171
Social security costs	<b>801</b>	684
Other pension costs	<b>112</b>	72
Cost of employee share schemes (Note 23)	<b>196</b>	–
	<b>11,857</b>	9,927

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

	Number	Number
Production	<b>462</b>	431
Administration	<b>46</b>	29
	<b>508</b>	460

**Notes to the Consolidated Financial Information** continued  
For the year ended 30 April 2017

**8. Finance costs**

	2017 £'000	2016 £'000
<i>Finance costs on pre-IPO debt structure</i>		
Shareholder loans	478	4,099
Finance lease interest	–	214
Amortisation of finance fees	–	143
	<b>478</b>	4,456
<i>Finance costs on post-IPO debt structure</i>		
Bank loans and overdrafts	368	158
Finance lease interest	80	144
Interest on factoring facility	160	183
Amortisation of finance fees	43	–
	<b>651</b>	485
<b>Total finance costs</b>	<b>1,129</b>	4,941

**9. Income tax expense**

**Tax charged in the income statement**

	2017 £'000	2016 £'000
<i>Current income tax</i>		
Current tax on profits for the year	2,165	1,780
<b>Total current income tax</b>	<b>2,165</b>	1,780
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(163)	(31)
Change in tax rate	21	(475)
<b>Total deferred tax</b>	<b>(142)</b>	(506)
<b>Tax charge in the income statement</b>	<b>2,023</b>	1,274

The tax charge for the year is higher (2016: lower) than the effective rate of Corporation Tax in the UK of 19.92% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before income tax	9,399	6,979
<b>Effective rate</b>	<b>19.92%</b>	20%
At the effective income tax rate	1,872	1,396
Expenses not deductible for tax purposes	130	353
Change in rate	21	(475)
<b>Total tax charge</b>	<b>2,023</b>	1,274

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

	Accelerated capital allowances £'000	Intangibles £'000	Derivative financial instruments £'000	Other £'000	Total £'000
<b>30 April 2015</b>	1,576	3,734	–	(326)	4,984
Credit/(charge) in year	127	(412)	–	254	(31)
Change in deferred tax rate	(176)	(306)	–	7	(475)
<b>30 April 2016</b>	1,527	3,016	–	(65)	4,478
Credit/(charge) in year	186	(414)	–	65	(163)
Change in deferred tax rate	(18)	39	–	–	21
Credit to equity	–	–	(545)	–	(545)
<b>30 April 2017</b>	<b>1,695</b>	<b>2,641</b>	<b>(545)</b>	–	<b>3,791</b>

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

	2017 £'000	2016 £'000
Deferred tax assets	(545)	–
Deferred tax liabilities	4,336	4,478
	<b>3,791</b>	<b>4,478</b>

The deferred tax asset was recognised on the loss on cash flow hedges and the credit has been taken to the hedging reserve.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £58,000 (2016: £186,000).

The Finance Act 2016 reduced the main rate of corporation tax to 20% from 1 April 2016 and to 19% from 1 April 2017. A future rate reduction to 18% from 1 April 2020, was substantively enacted on 26 October 2015. A further change to reduce the rate from 1 April 2020 from 18% to 17% was announced on 16 March 2016. This change was substantively enacted as part of the Finance Bill 2016 on 15 September 2016. Therefore, the rate of 20% (2016: 20%) has been reflected in the consolidated financial statements and deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. Deferred tax has been provided at the rate of 18% as at 30 April 2017 (2016: 18%)

## 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
<b>Cost</b>						
<b>At 30 April 2015</b>	156	532	19,013	133	4,417	24,251
Transfer	–	–	4,417	–	(4,417)	–
Additions	–	173	162	37	3,152	3,524
Disposals	–	–	(49)	(35)	–	(84)
<b>At 30 April 2016</b>	156	705	23,543	135	3,152	27,691
Additions	–	344	684	46	3,373	4,447
Disposals	–	–	–	(138)	–	(138)
<b>At 30 April 2017</b>	<b>156</b>	<b>1,049</b>	<b>24,227</b>	<b>43</b>	<b>6,525</b>	<b>32,000</b>
<b>Accumulated depreciation</b>						
<b>At 30 April 2015</b>	39	86	1,335	51	–	1,511
Charge	10	119	1,626	76	–	1,831
Disposals	–	–	(23)	(35)	–	(58)
<b>At 30 April 2016</b>	49	205	2,938	92	–	3,284
Charge	10	140	1,739	21	–	1,910
Disposals	–	–	(18)	(90)	–	(108)
<b>At 30 April 2017</b>	<b>59</b>	<b>345</b>	<b>4,659</b>	<b>23</b>	<b>–</b>	<b>5,086</b>
<b>Net book value</b>						
<b>At 30 April 2017</b>	<b>97</b>	<b>704</b>	<b>19,568</b>	<b>20</b>	<b>6,525</b>	<b>26,914</b>
At 30 April 2016	107	500	20,605	43	3,152	24,407

The net book value of tangible fixed assets includes an amount of £538,000 (2016: £16,052,000) in respect of plant and machinery assets held under finance leases and £nil (2016: £3,152,000) in respect of assets under construction held under finance leases.

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 11. Intangible assets

	Goodwill £'000	Customer lists £'000	Order book £'000	Other £'000	Total £'000
<b>Cost</b>					
<b>30 April 2015</b>	14,982	20,427	86	–	35,495
Additions	–	–	–	–	–
<b>At 30 April 2016</b>	14,982	20,427	86	–	35,495
Additions	–	–	–	40	40
<b>At 30 April 2017</b>	<b>14,982</b>	<b>20,427</b>	<b>86</b>	<b>40</b>	<b>35,535</b>
<b>Amortisation</b>					
<b>30 April 2015</b>	–	1,623	68	–	1,691
Charge	–	2,042	18	–	2,060
<b>At 30 April 2016</b>	–	3,665	86	–	3,751
Charge	–	2,042	–	–	2,042
<b>At 30 April 2017</b>	<b>–</b>	<b>5,707</b>	<b>86</b>	<b>–</b>	<b>5,793</b>
Net book value					
<b>At 30 April 2017</b>	<b>14,982</b>	<b>14,720</b>	<b>–</b>	<b>40</b>	<b>29,742</b>
<b>At 30 April 2016</b>	14,982	16,762	–	–	31,744

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

The intangible addition during the year, relates to a Management Services Agreement between Accrol Papers Limited and Accrol Group Holdings Plc which provides a mechanism for a recharge of salary costs between the 2 entities.

#### Impairment test for goodwill

Goodwill is monitored for internal management purposes at the Group's sole CGU level. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board covering a 5-year period. Cash flows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions.

The key assumptions used in the value in use calculations are a pre-tax discount rate of 13% (2016: 16%) and a long-term growth rate of 2% (2016: 2%). The discount rate is derived from the Group's weighted average cost of capital and is calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information.

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

#### Sensitivity to changes in assumptions

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

#### 12. Inventories

	2017 £'000	2016 £'000
Raw materials	9,090	6,996
Finished goods and goods for resale	5,268	2,365
	<b>14,358</b>	9,361

There are Enil provisions held against inventories (2016: Enil).

### 13. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	23,751	20,793
Less: provision for impairment of trade receivables	(85)	(85)
<b>Trade receivables – net of provisions</b>	<b>23,666</b>	20,708
Prepayments	1,004	569
	<b>24,670</b>	21,277

The trade receivables balance is aged as follows:

	2017 £'000	2016 £'000
Less than 1 month	14,048	12,831
Between 1 and 2 months	8,267	7,120
Between 2 and 3 months	988	383
Between 3 and 6 months	448	459
	<b>23,751</b>	20,793

Trade and other receivables which are less than 3 months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than 3 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 6 months past due.

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

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

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

	2017 £'000	2016 £'000
At the beginning of the year	(85)	(62)
Provisions made for receivables impairment	–	(23)
	<b>(85)</b>	(85)

The creation and release of the provision for impaired receivables has been included in administrative expenses 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

	2017 £'000	2016 £'000
Cash and cash equivalents	<b>3,867</b>	2,456

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 1 day and 1 month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**Notes to the Consolidated Financial Information** continued  
For the year ended 30 April 2017

**15. Trade and other payables**

	2017 £'000	2016 £'000
Trade payables	14,892	7,868
Social security and other taxes	1,558	1,947
Accruals and deferred income	1,576	4,613
Deferred government grant income	814	1,026
	<b>18,840</b>	15,454

Trade payables are non-interest bearing and are paid on average within 30 days at 30 April 2017 (2016: 29 days).

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

**16. Borrowings**

	2017 £'000	2016 £'000
<b>Non-current</b>		
Bank facility	12,778	2,600
Finance leases	368	7,232
Shareholder loans	–	41,087
	<b>13,146</b>	50,919
<b>Current</b>		
Bank facility	–	1,103
Factoring facility	9,523	7,485
Finance leases	186	3,605
	<b>9,709</b>	12,193
<b>Loan maturity analysis:</b>		
Within 1 year	9,709	12,294
Between 1 and 2 years	185	4,164
Between 2 and 5 years	13,183	5,768
After 5 years	–	41,240
	<b>23,077</b>	63,466

The following amounts remain undrawn and available:

	2017 £'000	2016 £'000
Revolving credit facility	3,000	–
Factoring facility	13,043	9,879
	<b>16,043</b>	9,879

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

**HSBC Revolving Credit Facility agreement ('Bank facility')**

At 30 April 2016, the Group had borrowings under a committed bank loan facility of £4m provided by HSBC plc, a factoring facility of £20m and finance leases of £8m. Subsequent to the year end, on 13 June 2016, the bank loan facility and the finance leases have been repaid from a new Revolving Credit Facility ('RCF'). The RCF is a 5 year £18m facility with a day 1 drawdown of £13m. The RCF reduces to £10m subject to the following profile

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

The minimum drawing 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% 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% of the RCF is payable at inception. An annual commitment fee of 40% 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 plc (formerly 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.

### HSBC £20m factoring credit facility ('Factoring facility')

On 8 August 2014 the Group entered into a £20.0m 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% 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 is 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) interest cover; and b) leverage. The covenants in relation to the Factoring facility cover the following: a) debt dilution; b) disputed debt; and c) tangible net worth. The Group has been in compliance with all of the covenants during the year under review. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

### Finance fees

Finance fees are not included in the Loan Maturity Analysis table. As at 30 April 2017, finance fees relating to the arrangement of the Revolving Credit Facility have been capitalised and are being amortised. As at the 30 April 2016, the finance fees were incurred upon the arrangement of the shareholder loans by the Group's lenders.

The finance fees after amortisation are as follows:

	2017 £'000	2016 £'000
Finance fees	<b>222</b>	354

## 17. Financial instruments

### Derivative financial instruments

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

	2017 £'000	2016 £'000
Foreign currency contracts		
Current assets	<b>841</b>	–
Current liabilities	<b>(3,235)</b>	(190)
Non-current liabilities	<b>(474)</b>	–
	<b>(2,868)</b>	(190)

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

### Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

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

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

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

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 17. Financial instruments continued

##### Fair values

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

	Fair values and Carrying values	
	2017 £'000	2016 £'000
<b>Financial assets</b>		
<i>Current</i>		
Trade and other receivables	23,666	20,708
Cash and short-term deposits	3,867	2,456
Derivative financial instruments	841	–
<b>Financial liabilities</b>		
<i>Current</i>		
Borrowings	9,709	12,193
Trade and other payables	18,840	15,454
Derivative financial instruments	3,235	190
<i>Non-current</i>		
Borrowings	13,146	50,919
Derivative financial instruments	474	–

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

##### (a) Capital risk management

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

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

	2017 £'000	2016 £'000
Total borrowings	22,855	63,112
Less: cash and cash equivalents	(3,867)	(2,456)
<b>Net debt</b>	<b>18,988</b>	<b>60,656</b>

##### (b) Financial risk management

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

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

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

**(i) Foreign currency risk**

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

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

	2017 £'000	2016 £'000
Euro – (loss)	(79)	–
USD – (loss)/gain	(844)	135
	<b>(923)</b>	135

**(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% increase in interest rates on profit before tax is shown below:

	2017 £'000	2016 £'000
Change in interest rate	<b>94</b>	56

**(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 summarises the maturity profile of the Group's financial liabilities:

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
As at 30 April 2017					
Borrowings	<b>9,709</b>	<b>185</b>	<b>13,183</b>	–	<b>23,077</b>
Trade and other payables	<b>18,840</b>	–	–	–	<b>18,840</b>
Derivative financial instruments	<b>3,235</b>	<b>474</b>	–	–	<b>3,709</b>
<b>Total financial liabilities</b>	<b>31,784</b>	<b>659</b>	<b>13,183</b>	–	<b>45,626</b>
As at 30 April 2016					
Borrowings	12,295	4,163	5,768	41,240	63,466
Trade and other payables	15,454	–	–	–	15,454
Derivative financial instruments	190	–	–	–	190
<b>Total financial liabilities</b>	<b>27,939</b>	<b>4,163</b>	<b>5,768</b>	<b>41,240</b>	<b>79,110</b>

**(iv) Credit risk**

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

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 19. Commitments and contingencies

##### Operating lease commitments

The Group has entered into leases on commercial real estate. These leases have an average life of 9 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-cancellable operating leases as at the year end, analysed by the period in which they fall due, are as follows:

	2017 £'000	2016 £'000
Within 1 year	2,821	1,740
Between 1 and 2 years	3,614	1,740
Between 2 and 5 years	10,879	5,220
Greater than 5 years	17,191	6,516
	<b>34,505</b>	15,216

##### 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:

	2017 £'000	2016 £'000
Within 1 year	198	3,989
Between 1 and 2 years	192	3,228
Between 2 and 5 years	190	4,617
	<b>580</b>	11,834
Future finance charges	(29)	(997)
<b>Present value</b>	<b>551</b>	10,837

The present value of finance lease liabilities is as follows:

	2017 £'000	2016 £'000
Within 1 year	184	3,605
Between 1 and 2 years	184	2,963
Between 2 and 5 years	183	4,269
	<b>551</b>	10,837

##### Capital commitments

	2017 £'000	2016 £'000
Contracted for but not provided	–	–

## 20. Share capital and reserves

### Called up, allotted and fully paid

	2017 £	2016 £
Ordinary shares of £0.001 each	<b>93,012</b>	–
Class A Ordinary shares of £1 each	–	4,625
Class B Ordinary shares of £1 each	–	4,625
Class C Ordinary shares of £1 each	–	650
Class D Ordinary shares of £1 each	–	2,860
	<b>93,012</b>	12,760

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

	2017 Number	2016 Number
Ordinary shares of £0.001 each	<b>93,012,002</b>	–
Class A Ordinary shares of £1 each	–	4,625
Class B Ordinary shares of £1 each	–	4,625
Class C Ordinary shares of £1 each	–	650
Class D Ordinary shares of £1 each	–	2,860

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

	Number
<b>31 May 2016</b>	
Issue of A Ordinary shares of £1 each	50
Issue of B Ordinary shares of £1 each	50
<b>1 June 2016</b>	
<i>Bonus issue of shares 5:1</i>	
Bonus issue of A Ordinary shares of £1 each	23,375
Bonus issue of B Ordinary shares of £1 each	23,375
Bonus issue of C Ordinary shares of £1 each	3,250
Bonus issue of D Ordinary shares of £1 each	14,300
<i>Subdivision of shares</i>	
Subdivided A Ordinary shares of £0.001 each	28,050,000
Subdivided B Ordinary shares of £0.001 each	28,050,000
Subdivided C Ordinary shares of £0.001 each	3,900,000
Subdivided D Ordinary shares of £0.001 each	17,160,000
<i>Re-organisation of shares into one class</i>	
Ordinary shares of one class of £0.001 each	49,683,858
Deferred shares of one class of £0.001 each	27,476,142
<b>10 June 2016</b>	
Issue of Ordinary shares of £0.001 each	43,328,144
<b>11 July 2016</b>	
Purchase of Deferred shares of £0.001 each	27,476,142

On 1 June 2016, a 5:1 bonus issue of shares occurred and subsequent to this, all shares were subdivided into shares of £0.001 each. On the same day, all shares were re-organised into one class of share and then were reassigned to either Ordinary or Deferred class.

On 10 June 2016, further Ordinary shares of £0.001 were issued.

On 11 July 2016, all Deferred shares were purchased by Accrol Group Holdings plc (formerly Accrol Group Holdings Limited) for £1.

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

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 21. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to the owners of the Parent in the year:		
Interim dividend for the year ended 30 April 2017 of 2 pence (2016: £nil) per share	<b>1,860</b>	–
Total distributions to the owners of the Parent in the year	<b>1,860</b>	–
Proposed final dividend for the year ended 30 April 2017 of 4 pence (2016: £nil) per share	<b>3,720</b>	–

The proposed final dividend is subject to approval of the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. It will be recognised in the shareholders' equity in the year ending 30 April 2018.

#### 22. Related party disclosures

##### (a) Identity of related parties

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

The subsidiaries of the Group are as follows:

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

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

##### (b) Transactions with related parties

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

	2017 £'000	2016 £'000
NorthEdge Capital LP	–	21,704
NorthEdge Capital – GP	–	460
The Hussain family	–	22,126
Alklar Limited	–	270
Nisiac Limited	–	–
<b>Owed to related parties</b>	<b>–</b>	<b>44,560</b>
Opening balance	<b>44,560</b>	44,262
Loans advanced during year	–	249
Interest charged	<b>478</b>	4,099
Purchases	<b>2,003</b>	1,898
Repayments	<b>(47,041)</b>	(5,948)
<b>Owed to related parties</b>	<b>–</b>	<b>44,560</b>
Borrowings	–	41,240
Trade & other payables	–	3,320
<b>Owed to related parties</b>	<b>–</b>	<b>44,560</b>

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:

## Transactions

	2017 £'000	2016 £'000
NorthEdge Capital LP	259	2,129
The Hussain family	241	2,050
Phoenix Court Blackburn Limited	1,744	1,740
Alklar Limited	62	78
Nisiac Limited	175	–
<b>Total</b>	<b>2,481</b>	<b>5,997</b>

### 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 in comparative periods carried interest at 10%. Payments to Phoenix Court Blackburn Limited are in respect of the provision of services. Payments to Nisiac Limited are in respect of the provision of consultancy services.

### (c) Directors' emoluments

	2017 £'000	2016 £'000
Directors' fees	62	72
Salaries	649	709
Share-based payments	196	–
Post employment benefit	32	–
	<b>939</b>	<b>781</b>

During the year retirement benefits were accruing to nil Directors under defined contribution schemes (2016: nil). The aggregate amount of emoluments paid to the highest paid Director was £305,000 (2016: £204,000).

### (d) Key management personnel

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

### (e) Company transactions with its subsidiaries

The Company received dividends from and charged management fees to its subsidiaries in the current year as summarised in the table below:

	2017 £'000	2016 £'000
Dividends received	10,000	–
Management fees charged	620	–
	<b>10,620</b>	<b>–</b>

## 23. Share-based payments

The charge for share-based payments under IFRS 2 arises under the Management Incentive Plan ("MIP"). The total expense recognised for the year arising from share-based payment was £196,503 (2016: £nil). All of the total share-based payments expense arises from transactions accounted for as equity-settled share-based payment transactions.

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

	2017		2016	
	Average exercise price in £ per share option	Options (Number)	Average exercise price in £ per share option	Options (Number)
At 1 May	–	–	–	–
Granted	1.30	3,052	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
At 30 April	1.30	3,052	–	–

## Notes to the Consolidated Financial Information continued

### For the year ended 30 April 2017

#### 23. Share-based payments continued

Out of the 3,052 outstanding options, (2016: nil), nil options (2016: nil) were exercisable. No options were exercised in 2017 (2016: nil).

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

Grant – vest	Expiry date	Exercise price in £ per share option	Share options	
			2017	2016
2016–19	10-Jun-23	1.30	3,052	0
			3,052	0

The weighted average fair value of options granted during the period determined using the Black-Scholes-Merton model valuation was £217.5. The significant inputs into the model were the underlying equity value (taken to be the total market capitalisation of Accrol Group Holdings plc on Admission), the exercise price of an option (shown above), volatility of 26.95%, dividend yield of 6%.

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

See Note 7 for the total expense recognised in the income statement for share options granted to Directors and employees.

#### 24. Events after the balance sheet date

Details of the proposed final dividend are given in Note 21. There are no other significant events that have occurred after the balance sheet date.

#### 25. Alternative performance measures

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

##### Adjusted earnings per share

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

	2017 £'000	2016 £'000
Earnings attributable to shareholders	7,376	5,705
Adjustment for:		
Amortisation	2,042	2,060
Gain on derivatives	–	(1,266)
Exceptional items	1,581	493
Tax effect of adjustments above	(524)	(258)
<b>Adjusted earnings attributable to shareholders</b>	<b>10,475</b>	<b>6,734</b>
	Number	Number
Basic weighted average number of shares <sup>1</sup>	85,113,194	9,900
Dilutive share options	1,321,025	–
Diluted weighted average number of shares	86,434,219	–
	£	£
Basic adjusted earnings per share	0.12	680.20
Diluted adjusted earnings per share	0.12	680.20

Note 1: In the year ended 30 April 2016 and 2017, the basic weighted average number of shares was calculated by excluding the D class of shares as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

## Reconciliation from GAAP - defined reporting measures to the Group's alternative performance measures

Management use these measurements to better understand the underlying business of the Group.

### Consolidated income statement

	2017 £'000	2016 £'000
<b>(a) Adjusted gross margin</b>		
Revenue	<b>135,053</b>	118,219
Gross profit	<b>37,679</b>	34,489
Gross margin	<b>27.9%</b>	29.2%
Revenue	<b>135,053</b>	118,219
Gross profit	<b>37,679</b>	34,489
Less: gain on derivative financial instruments	–	(1,266)
Adjusted gross profit	<b>37,679</b>	33,223
Adjusted gross margin	<b>27.9%</b>	28.1%
<b>(b) Adjusted EBITDA</b>		
Operating profit	<b>10,528</b>	11,920
Adjusted for:		
Depreciation	<b>1,910</b>	1,831
Amortisation	<b>2,042</b>	2,060
Gain on derivative financial instruments	–	(1,266)
Exceptional items	<b>1,581</b>	493
Adjusted EBITDA	<b>16,061</b>	15,038
<b>(c) Adjusted PBT and adjusted PAT</b>		
Profit before tax	<b>9,399</b>	6,979
Adjusted for:		
Amortisation	<b>2,042</b>	2,060
Gain on derivative financial instruments	–	(1,266)
Exceptional items	<b>1,581</b>	493
Adjusted PBT	<b>13,022</b>	8,266
Taxation	<b>(2,023)</b>	(1,274)
Adjusted PAT	<b>10,999</b>	6,992

# Independent Auditor's Report to the Members of Accrol Group Holdings plc

## Report on the company financial statements

### Our opinion

In our opinion, Accrol Group Holdings plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

- The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:
- the Company Statement of Financial Position as at 30 April 2017;
- the Company Cash Flow Statement for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

### Other matter

We have reported separately on the group financial statements of Accrol Group Holdings plc for the year ended 30 April 2017.

### Hazel Macnamara (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
10 July 2017

## Company Statement of Financial Position

As at 30 April 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
<b>Investments in subsidiaries</b>	5	<b>41,437</b>	10
<b>Total non-current assets</b>		<b>41,437</b>	10
<i>Current assets</i>			
Trade and other receivables	6	<b>7,904</b>	25
Cash and cash equivalents		<b>287</b>	262
<b>Total current assets</b>		<b>8,191</b>	287
<b>Total assets</b>		<b>49,628</b>	297
<i>Current liabilities</i>			
Trade and other payables	7	–	200
<b>Total current liabilities</b>		–	200
<b>Total liabilities</b>		–	200
<b>Net assets</b>		<b>49,628</b>	97
<i>Capital and reserves</i>			
Share capital	8	<b>93</b>	13
Share premium		<b>41,597</b>	84
Capital redemption reserve		<b>27</b>	–
Retained earnings – opening		–	–
Profit for the year		<b>7,911</b>	–
<b>Total equity</b>		<b>49,628</b>	97

The financial statements on pages 63 to 65 were approved by the Board of Directors on 10 July 2017.

Signed on behalf of the Board of Directors

**Steve Crossley**  
Chief Executive Officer

**James Flude**  
Chief Financial Officer

Company Registration Number 09019496

## Company Statement of Changes in Equity

For the year ended 30 April 2017

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 May 2015</b>		10	50	–	–	60
Transactions with owners						
Issue of Ordinary shares	8	3	34	–	–	37
Total for transactions with owners		3	34	–	–	37
Comprehensive income						
Result for the year		–	–	–	–	–
Total comprehensive income		–	–	–	–	–
<b>Balance at 30 April 2016 and at 1 May 2016</b>		13	84	–	–	97
<i>Transactions with owners</i>						
Bonus issue of Ordinary shares	8	64	(64)	–	–	–
Proceeds from shares issued		43	43,285	–	–	43,328
Buy-back of deferred share for consideration of £1		(27)	–	27	–	–
Transaction costs		–	(1,708)	–	–	(1,708)
Dividends		–	–	–	(1,860)	(1,860)
Total for transactions with owners		80	41,513	27	(1,860)	39,760
Comprehensive income						
Profit for the year		–	–	–	9,771	9,771
Total comprehensive income		–	–	–	9,771	9,771
<b>Balance at 30 April 2017</b>		<b>93</b>	<b>41,597</b>	<b>27</b>	<b>7,911</b>	<b>49,628</b>

## Company Cash Flow Statement

For the year ended 30 April 2017

	Note	2017 £'000	2016 £'000
<i>Cash flows from operating activities</i>			
Operating profit		9,771	–
Adjustment for:			
Exceptional items	3	193	–
<b>Operating cash flows before movement in working capital</b>		<b>9,964</b>	–
(Increase)/decrease in trade and other receivables		(7,879)	25
(Decrease)/increase in trade and other payables		(200)	200
<b>Cash generated from operations</b>		<b>1,885</b>	225
<b>Net cash flows from operating activities</b>		<b>1,885</b>	225
<i>Cash flows from financing activities</i>			
Proceeds of issue of Ordinary shares		–	37
Dividends paid to Ordinary shareholders		(1,860)	–
<b>Net cash flows (used in)/from financing activities</b>		<b>(1,860)</b>	37
Net increase in cash and cash equivalents		25	262
Cash and cash equivalents at beginning of the year		262	–
<b>Cash and cash equivalents at year end</b>		<b>287</b>	262

# Notes to the Company Financial Information

## For the year ended 30 April 2017

### 1. General information

Accrol Group Holdings plc (formerly Accrol Group Holdings Limited), (the "Company") was incorporated in England 30 April 2014 with company number 09019496. It is a public company limited by shares and it is domiciled in England in the United Kingdom. The registered address of the Company is the Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD. The Company's subsidiaries are listed in Note 22 to the consolidated financial statements, which together with the Company form the Accrol Group Holdings plc Group (the "Group"). The Company acts as a holding company for the remainder of the Accrol Group.

### 2. Summary of significant accounting policies

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

#### Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

The Company has taken advantage of the exemption in Section 408(3) of the Companies Act 2006 not to present its individual profit and loss account and related notes that form part of the approved Company financial statements. The retained profit of the Company is shown in the statement of changes in equity.

#### 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 statements of the Company in the year 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 Company. It is unlikely to have a material impact on the Company. At the time of preparing this financial information, the Company continues to assess the possible impact of the adoption of this standard in future years.

#### Going concern

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company 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 statements.

#### Exceptional items

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

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

## 2. Summary of significant accounting policies continued

### Investments

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

### Financial instruments

#### Financial assets

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

#### Financial liabilities

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

## 3. Exceptional items

	2017 £'000	2016 £'000
Professional fees relating to the AIM flotation	208	–
	<b>208</b>	<b>–</b>

Professional fees of £193,000 incurred as part of the IPO process have been classified as exceptional as they do not directly relate to the raising of the equity for the AIM flotation.

## 4. Directors' emoluments

	2017 £'000	2016 £'000
Emoluments	590	–
	<b>590</b>	<b>–</b>

Directors' emoluments are recharged by Accrol Papers Limited. This arrangement has been in place since listing on AIM in June 2016. During the year, management recharges related to 3 Directors (2016: £nil). The Company does not have any employees (2016: nil).

## 5. Investments in subsidiaries

	Group undertakings £'000
<b>Cost</b>	
30 April 2016	10
Additions in the year	41,427
<b>30 April 2017</b>	<b>41,437</b>

On 10 June 2017, the Company subscribed for 2,000 new shares in Accrol UK Limited for a consideration of £41,388,000.

The Company's subsidiary undertakings are shown in Note 22 to the consolidated financial statements.

## 6. Trade and other receivables

	2017 £'000	2016 £'000
Prepayments and accrued income	10	25
Amounts owed by Group undertakings	7,894	–
	<b>7,904</b>	<b>25</b>

Amounts owed by Group undertakings and falling due within 1 year are unsecured, interest free and repayable on demand.

**Notes to the Company Financial Information** continued  
For the year ended 30 April 2017

**7. Trade and other payables**

	2017 £'000	2016 £'000
Amounts owed to Group undertakings	–	200
	–	200

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

**8. Issued capital and reserves**  
Called up, allotted and fully paid

	2017 £	2016 £
Ordinary shares of £0.001 each	<b>93,012</b>	–
Class A Ordinary shares of £1 each	–	4,625
Class B Ordinary shares of £1 each	–	4,625
Class C Ordinary shares of £1 each	–	650
Class D Ordinary shares of £1 each	–	2,860
	<b>93,012</b>	12,760

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

	Number	Number
Ordinary shares of £0.001 each	<b>93,012,002</b>	–
Class A Ordinary shares of £1 each	–	4,625
Class B Ordinary shares of £1 each	–	4,625
Class C Ordinary shares of £1 each	–	650
Class D Ordinary shares of £1 each	–	2,860

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

	Number
<b>31 May 2016</b>	
Issue of A Ordinary shares of £1 each	50
Issue of B Ordinary shares of £1 each	50
<b>1 June 2016</b>	
<i>Bonus issue of shares 5:1</i>	
Bonus issue of A Ordinary shares of £1 each	23,375
Bonus issue of B Ordinary shares of £1 each	23,375
Bonus issue of C Ordinary shares of £1 each	3,250
Bonus issue of D Ordinary shares of £1 each	14,300
<i>Subdivision of shares</i>	
Subdivided A Ordinary shares of £0.001 each	28,050,000
Subdivided B Ordinary shares of £0.001 each	28,050,000
Subdivided C Ordinary shares of £0.001 each	3,900,000
Subdivided D Ordinary shares of £0.001 each	17,160,000
<i>Re-organisation of shares into one class</i>	
Ordinary shares of one class of £0.001 each	49,683,858
Deferred shares of one class of £0.001 each	27,476,142
<b>10 June 2016</b>	
Issue of Ordinary shares of £0.001 each	43,328,144
<b>11 July 2016</b>	
Purchase of Deferred shares of £0.001 each	27,476,142

On 1 June 2016, a 5:1 bonus issue of shares occurred and subsequent to this, all shares were subdivided into shares of £0.001 each. On the same day, all shares were re-organised into one class of share and then were reassigned to either Ordinary or Deferred class.

On 10 June 2016, further Ordinary shares of £0.001 were issued.

On 11 July 2016, all Deferred shares were purchased by Accrol Group Holdings plc (formerly Accrol Group Holdings Limited) for £1.

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

## 9. Dividend payable

	2017 £'000	2016 £'000
Amounts recognised as distributions to the owners of the Parent in the year:		
Interim dividend for the year ended 30 April 2017 of 2 pence (2016: nil pence) per share	<b>1,860</b>	–
Total distributions to the owners of the Parent in the year	<b>1,860</b>	–
Proposed final dividend for the year ended 30 April 2017 of 4 pence (2016: nil pence) per share	<b>3,720</b>	–

The proposed final dividend is subject to approval of the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. It will be recognised in the shareholders' equity in the year ending 30 April 2018.

## 10. Dividend receivable

The Company received dividends from its subsidiaries in the current year as summarised in the table below:

	2017 £'000	2016 £'000
Dividends received	<b>10,000</b>	–
	<b>10,000</b>	–

## Company Information

### Directors

Peter Cheung	(Executive Chairman)
Steve Crossley	(Chief Executive Officer)
James Flude	(Chief Financial Officer)
Joanne Lake	(Independent Non-Executive Director)
Steve Hammett	(Independent Non-Executive Director)

### Secretary

Richard Almond

### Registered office

Delta Building  
Roman Road  
Blackburn  
Lancashire  
BB1 2LD

### Registered number

09019496

### Share capital

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

### Registrars

#### Capita Asset Services

The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Auditors

#### PricewaterhouseCoopers LLP

101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

### Nominated adviser and broker

#### Zeus Capital Limited

82 King Street  
Manchester  
M2 4WQ

41 Conduit Street  
London  
W1S 2YQ

### Solicitors

#### Addleshaw Goddard LLP

100 Barbirolli Square  
Manchester  
M2 3AB

## Notes

## Notes

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