ACCROL PAPERS

Converting opportunity into growth

Accrol Group Holdings plc
Annual Report and Accounts 2016

We are a leading independent tissue converter

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 350,000 sq. ft. manufacturing, storage and distribution facility in Blackburn, Lancashire.

Strategic Report

Governance

Financial Statements

Operational highlights

- 35% share of the Discount market which is the fastest growing sector at 10% per annum
- Focused on Private Label products which are taking market share from Brands
- 60% of our plant is less than 5 years old
- 143,000 tonnes of potential capacity with c.25% headroom for new business
- 16.3m products produced per week

Financial highlights

Revenue

£118m

+17% YoY

Revenue CAGR[1]

+16.5%

Over last 3 years

Adjusted EBITDA

£15.0m

+22.5% YoY

EBITDA CAGR[1]

+16.5%

Over last 3 years

Investment in machinery

£18.2m

Over last 3 years

1 Compound Annual Growth Rate

We produce quality products at competitive prices

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

Our sales

The Discount market represents 14% of the overall tissue market and is the fastest growing sector at 10% per annum. Accrol's decision to focus on this sector in 2008, has delivered sales CAGR of 16.5% since 2013. Accrol is the market leader in the Discount segment with 35% share by market value.

Technology and converting lines

Accrol has invested c.£18.2m in machinery over the last three years. The Group currently has 15 converting lines in operation providing capacity of approximately 118,000 tonnes per annum. Additional capacity of c.25,000 tonnes per annum has recently been obtained with the purchase of two new machines which are yet to be installed. The Group's operating machinery allows conversion of a wide variety of tissue grades, adding flexibility to the Parent Reel sourcing process and allowing manufacture of a wide range of product types.

Products manufactured per week

16.3m

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 four 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.

Toilet tissue revenue[1]

£52.9m

Kitchen towels revenue[1]

£26.5m

Facial tissue revenue[1]

£10.8m

Away from home (AFH) revenue[1]

£23.1m

1 Revenues are for current year ended 30 April 2016 but exclude Bought in product of £4.9m.

Building a sustainable business

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

Building the business foundations

After founding in 1993, Jawid Hussain built the business and invested in capacity in anticipation of growth.

Growing through the recession

Consumer trends begin to change, Discounters offer good quality, own brand goods at low prices. They start to take market share from the Multiples.

	1993...	2003	2005	2008	2009	2011
People	Jawid Hussain				Hussain brothers buy business from their father	149 employees
Capacity			Move to current Blackburn site. 3 converting lines installed	3 more lines – extends converting capacity		4 more converting lines installed
Customers				Sign terms with the first of the Discounters		

Market move from brands to own brands

Private Label share of market starts increasing, taking share from Brands.

New storage facility

Begin to establish relationships with the Multiples

2012

2 facial tissue lines installed

2013

NorthEdge acquire 46.25% stake

2014

- Peter Cheung becomes Chairman
- James Flude becomes CFO

3 additional lines – 2 x toilet paper 1 x kitchen roll

2015

Listing as a public limited company

10 June 2016, we list on the AIM Market of the London Stock Exchange.

Senior team strengthened:

- CEO Steve Crossley and Non-Execs Joanne Lake and Steve Hammett appointed on listing
- 460 employees

2 x paper converting lines acquired, not yet installed

More Discounter account wins

2016+

Our results show another year of excellent progress

Peter Cheung
Executive Chairman

Overview of the year

I am pleased to report that 2016 was another successful year for the Group. Revenue grew 17% year on year to £118.2m with adjusted EBITDA up 22.5% to £15.0m[1]. Our strong financial performance has been driven by continued focus on our strategy of growth through Private Label products into Discounter and Multiple retailers, supported by our flexible supply chain and continued investment ahead of growth in state of the art machinery.

Operational review

We operate 15 converting lines, producing 16.3m units per week with a c.7% share of the UK tissue market. We continue to invest in machinery, with a further £3.2m committed on two high-speed converting lines. Capacity headroom is expected to be approximately 25%, ensuring we continue to deliver new business opportunities.

With a 35% share of the Discount segment we continue to dominate this sector. The Multiple sector is the largest segment of the market and growth in this area remains a key strategic objective.

We have continued to grow existing contracts, both organically and through new products, with the more significant growth through Discounters.

Dividend policy

6%

Progressive yield at IPO placing price

Debt structure

1.5x

EBITDA

Financial performance

Revenues grew by £17.2m year on year with Discounters providing the majority of the growth. This segment now accounts for 69% of our revenues, up 6% year on year, reinforcing our already strong relationships. Revenues from Multiple customers showed an encouraging 15%[1] increase year-on-year growth in this key strategic area. Adjusted EBITDA increased by £2.8m[1] year-on-year mainly due to greater revenues and favourable paper prices. This was partially offset by an increase in overheads due to growing our headcount.

Strategy

We continued to focus on organic growth through Discounters as this sector represents the fastest growing retail sector in the UK tissue market and is projected to continue to grow at a rate of 10% per annum. The Discounters' tissue offerings are skewed towards Private Label and this is driving growth of Private Label in the market as a whole. Our strategy of focusing on the Discounters and providing Private Label products to Multiples, positions Accrol well to take advantage of new opportunities.

Listing on the AIM Market

On 10 June 2016 Accrol successfully listed on the AIM Market. This listing has reduced the Company's debt burden and will increase Accrol's profile and reputation, enable us to incentivise key employees and provide a platform to execute our strategy.

The listing also provided a partial exit for the founders, the Hussain family and NorthEdge Capital who invested in Accrol in July 2014. The family will continue to support the management team as external consultants, and I would like to thank both the Hussain family and NorthEdge Capital for their support and commitment.

1 See the Adjusted income statement on page 17 for further explanation on the proforma result.

Meet the team
On listing, Steve Crossley was appointed as Chief Executive Officer with Joanne Lake and Steve Hammett appointed as Independent Non-Executive Directors. Myself as Executive Chairman and Chief Financial Officer James Flude, complete the plc Board. Each individual brings a wealth of experience and expertise to the team. To demonstrate our intention of moving towards best practice, the Board adopted on listing the provision of the Quoted Companies Alliance Code (QCA) for Corporate Governance.

Reasons for IPO
- Strengthen the balance sheet
- Reduce the interest burden and drive organic growth
- Incentivise management to deliver shareholder returns
- Enhance the profile of the business

Use of funds
- NorthEdge equity cash out of c.£9.6m and repay loan notes of £22.4m
- The Hussain family equity cash out of c.£8.9m and repay loan notes of £22.4m
- Management equity cash out of c.£1.6m and repay loan notes of £0.3m
- Refinance existing third party debt of c.£21.5m to flexible new facilities of £23.1m
  - c.£10.1m invoice Discounting facility
  - c.£13.0m revolving credit facility

Capital structure
Debt structure on admission c.1.5x FY16 adjusted EBITDA as £3.2m investment in machinery was brought forward from FY17.

Shareholder list
As at 20 July 2016, the Company had been notified of, in accordance with the Disclosure and Transparency Rules, or was otherwise aware of, the following substantial interests of 3% or more in the Ordinary Share Capital of the Company.

Investor	Amount	Holding
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 Limited	8,800,000	9.5%
AXA Investment Managers UK	8,400,000	9.0%
Schroder Investment Management	8,000,000	8.6%
Majedie Asset Management Limited	5,411,105	5.8%
Ruffer LLP (for its discretionary clients of the Ruffer Group)	5,000,000	5.4%
Premier Fund Managers Limited	3,600,000	3.9%

Dividend policy
As a listed Company, one of our key ongoing objectives is to create shareholder value. The Board have committed to a progressive dividend policy with the intention of paying both an interim and final dividend expected, in aggregate, to represent a strong 6% yield at the IPO placing price, for the financial year ending 30 April 2017.

Outlook
We have ambitious plans for future growth by building on our customer relationships supported by solid financial performance. Our focus on Private Label, 35% share of the Discount market and capital investment over the last five years, positions us well to take advantage of future opportunities.

In the event that there is a period of reduced consumer expenditure following the UK's decision to leave the European Union, it is possible that the move towards non-discretionary Economy and Private Label products will accelerate. If this happens, we believe we are well positioned to benefit as over 50% of our sales are generated from the Discount segment and we are primarily focused on supplying Private Label products to both Discounters and Multiple retailers.

We have started FY17 strongly and we believe we are in a good position to deliver the next stage of our strategic plan. We remain confident in the outlook for Accrol in FY17.

On behalf of all our stakeholders, I would like to thank our employees for their hard work and commitment over the past year and I look forward to a successful 2017.

Peter Cheung
Executive Chairman
22 July 2016

Introducing our new Chief Executive

Steve Crossley
Chief Executive Officer

What were your reasons for joining the business?

A Accrol has already established itself as a major player in a non-discretionary and significant marketplace and there is huge opportunity for continued growth both within the Discount sector and with the Multiples. We have high quality assets with available capacity. Flexibility in sourcing Parent Reels also gives us a competitive advantage both in terms of pricing, availability and developments in new technologies. Finally, yet importantly, the opportunity to lead the transition of Accrol from a very successful privately owned business into a very successful publicly owned company on AIM is also very exciting.

What are your first impressions?

A Our short and remarkable rise to our AIM listing is huge testament to the capability and foresight of Jawid and the rest of the Hussain family. The business continues to have a family feel despite its significant size and rapid growth. The management team are very capable, committed, enthusiastic and focused on long-term future success. The assets are all relatively new and further investment continues at pace. There are significant opportunities to consolidate and improve operational performance, enhancing operational margins without losing our competitive edge. Tight overhead control will need to be maintained as the business continues its rapid growth. All these elements combine to create significant opportunity over the coming years.

74%
capacity utilised

60%
production lines less than 5 years old

£34m
gross profit

What are your key objectives for the coming year?

A Following yet another year of strong sales growth and further investment in new capacity, Accrol will continue to build on its core strengths and maximise market place opportunities for FY17. The Discount sector continues to grow at c.10% per annum and challenge the Multiples as they, in turn, all reset their ranging and shopper offer. Accrol are well positioned to benefit from this continued growth in the Discount sector and have made a number of significant customer wins that will further strengthen this position. At the same time the business will seek to expand its position within the Multiples Private Label sector which presents significant growth opportunities.

This growth will also require the business to continually review its capacity and capabilities in order to take advantage of opportunities gained, and ones being evaluated. The two manufacturing lines purchased at the end of the current financial year, will be located on a new site. As part of the investment in new plant, utilisation from existing manufacturing lines will receive greater focus as the business seeks to optimise capacity from current capability.

The Company remains committed to its strategy of sourcing Parent Reels from tissue paper mills around the globe and has a number of long-term relationships with major tissue manufacturers. This strategy allows us to be the most competitive supplier to the UK market. New capacity for pulp and tissue manufacturing continues to be installed globally and so availability remains high and values competitive. We are uniquely placed to take advantage of this position in comparison to the vertically integrated competitor set.

What are your immediate priorities?

1. Maintain great service, quality and value to our customers.
2. Demonstrate consistent, steady growth and security of investment to our new and existing investors and shareholders.
3. Focus on improving operational utilisation and performance from existing capability.
4. Ensure the business has the appropriate resource to deliver the above whilst maintaining tight control on cost and overhead.
5. Transition the business from a privately run business into a public listed entity without losing all the great things that have created the success to date.
6. Install and commission the two lines recently purchased into a new facility that will allow space for further additional lines to meet sales opportunities.

Steve Crossley
Chief Executive Officer
22 July 2016

We are a leading player

Accrol represents 7% of the UK tissue market share by revenue and is the fifth largest operator by capacity.

The UK tissue market

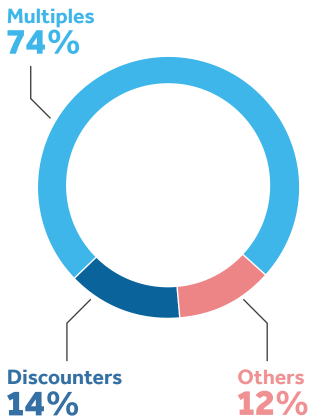
The UK tissue market is worth £1.43 billion at manufacturer's selling price per annum. The market is growing at 1% per annum by value, driven primarily by macro-economic factors such as population growth, unemployment and consumer affluence. The market is dominated by the Multiples with a 74% share by value. The Discounters represent 14% by value.

Total UK tissue market

£1.43bn

at manufacturers' retail price

Market by customer mix

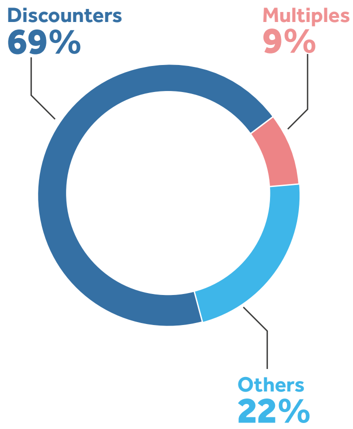


Our focus

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

Management's decision in 2008 to focus on the Discount market has driven contract wins in the sector and has led to Accrol becoming the market leader, holding 35% share of the Discount market.

Accrol customer mix



Focus on Discounters

35%

sector market share

Discounters forecast growth

c.10%

per annum

Opportunity in Multiples

74%

Multiples total UK revenue market share

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.

Range of customers

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

ALDI wilko MORRISONS More of what matters BOOKER home bargains

An established base with capacity to grow

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 moreover provides flexibility in sourcing to capitalise on favourable pricing opportunities and production technology advancements.

Sourcing

The UK consumes 1.2m tonnes of tissue paper per annum, of which c.0.3m 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 23% 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.

Converting

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.

Segments

Our products span the quality spectrum and are available in economy, luxury or premium variants.

Toilet roll

Kitchen roll

Facial tissues

AFH lines

Storage and distribution

We have benefited from the rise of Discounters, and are well positioned to capitalise on market shifts towards Discounters' and Multiples' increased focus on Private Label products.

The breadth of our range and relationships with Multiples, Discounters and Independents and the AFH market are a source of competitive advantage.

- Discounters
- Multiples
- Independents
- AFH distributors

R&D

Accrol has taken advantage of customer led growth in the Private Label market. This includes our development of a true quilted toilet tissue to compete against leading brands and the development of a multi-purpose wiper.

Our machinery is very flexible allowing us to convert a range of different tissue paper types. Not having a paper mill, means we are not tied to one particular type of tissue paper and as such, we are able to take advantage of new developments in paper technology. We have secured UK exclusivity for a new type of luxury tissue called NTT (New Textured Tissue) and we are working with our customers to develop a new luxury offering.

We will build on our competitive strength

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

Vision

To be the leading independent supplier of Private Label tissue products to both the Discount and Multiple sectors.

Strategic priorities

Organic growth through Discounters

We believe Accrol will benefit from continued growth in the sector, providing our quality and cost standards can be maintained. This is a key focus for the Group.

Increase share through Multiples

We intend to leverage our ability to supply Private Label products across the toilet, kitchen and facial tissue segments to increase orders and win new contracts with the Multiples.

We believe the Multiples will increase their Private Label offerings in response to growth in the Discount sector.

Operational improvements and capacity utilisation

We believe there is scope to increase efficiency of the current converting process through incremental changes to production line management, as well as running additional capacity through our newest machinery.

Progress against strategy

Channel	Objective
Discounters	– Organic growth – New customer wins
Multiples	– Increase share
Operations	– Improve utilisation and performance from existing capabilities – Utilise capacity

Progress

£22m annual sales from 3 new major contracts won at start of FY2017

2 new lines up and running in the current year

Continued strong sales, profit and cash growth

Sales of Private Label products into Discounters and Multiples delivered a 17% year on year growth in revenues and a 22.5% growth in adjusted EBITDA. Investment in machinery continued with an additional £3.2m invested at the end of the year.

James Flude
Chief Financial Officer

Key performance indicators

	Statutory			Unaudited Proforma*	
	2016 £'000	2015 £'000	Change	2015 £'000	Change
Revenue	**118,219**	81,904	**+44.3%**	101,056	**+17.0%**
Adjusted gross margin[1]	**28.1%**	27.8%		26.0%	
Adjusted EBITDA[2]	**15,038**	9,971	**+50.8%**	12,279	**+22.5%**
Adjusted EBITDA to revenue margin	**12.7%**	12.2%		12.2%	
Investment in machinery[3]	**3,152**	6,645		6,645	
Net debt	**60,656**	61,698	**+1.7%**	61,698	**+1.7%**
Net debt/adjusted EBITDA	**4.0 times**	6.2 times		5.0 times	

* See the Adjusted income statement for further explanation on the proforma result.

- Revenues increased year on year by 17.0% to £118.2m.
- Adjusted gross margin increased year on year by 2.1% to 28.1%.
- Adjusted EBITDA increased by 22.5% year on year to £15.0m.
- Continued strong cash generation year on year which included a £4.1m repayment of loan note interest.
- Net debt reduced £1.0m year on year to £60.7m with net debt to adjusted EBITDA reducing from 5.0 times to 4.0 times in the current year.
- Continued investment in machinery with £3.2m invested on two high-speed converting lines following the prior year investment of £6.6m in three high-speed lines.

Growth in revenue

17%

Growth in adjusted EBITDA

22.5%

Adjusted income statement

The statutory income statement in the financial statement section of this Annual Report presents the trading results of the Group post the acquisition of the main trading entity, Accrol Papers Limited, on 14 July 2014 by Accrol Group Holdings Limited through its subsidiary, Accrol UK Limited. As such, the revenues and costs in the statutory income statement are presented for the period from 14 July 2014 onwards rather than for the full twelve months. To facilitate the review of the underlying trends, we have included the proforma results for the full twelve months for the year ended 30 April 2015.

	Statutory			Unaudited Proforma	
	2016 £'000	2015 £'000	Change	2015 £'000	Change
Revenue	**118,219**	**81,904**	**+44%**	**101,056**	**+17%**
Cost of sales before gain/(loss) on derivative financial instruments	**(84,996)**	(59,162)		(74,823)	
Gain/(loss) on derivative instruments	**1,266**	(1,455)		(1,027)	
Cost of sales	**(83,730)**	(60,617)		(75,850)	
Gross profit	**34,489**	**21,287**	**+62%**	**25,206**	**+37%**
Administration expenses	**(13,138)**	(8,954)		(10,598)	
Distribution	**(9,431)**	(8,549)		(8,086)	
Operating profit	**11,920**	**3,784**	**+215%**	**6,522**	**+83%**
Analysed as:					
– Adjusted EBITDA[2]	**15,038**	9,971	+51%	12,279	+22%
– Depreciation	**(1,831)**	(1,511)		(1,509)	
– Amortisation	**(2,060)**	(1,691)		(1,691)	
– Gain/(loss) on derivative financial instruments	**1,266**	(1,455)		(1,027)	
– Exceptional items	**(493)**	(1,530)		(1,530)	
Operating profit	**11,920**	**3,784**	**+215%**	**6,522**	**+83%**
Finance costs	**(4,941)**	(4,132)		(4,231)	
Profit/(loss) before tax	**6,979**	**(348)**		**2,291**	
Tax charge	**(1,274)**	(352)		(871)	
Profit/(loss) for the year attributable to equity shareholders	**5,705**	**(700)**		**1,420**	
Gross margin %	***29.2%***	*26.0%*		*24.9%*	
Adjusted gross margin %	***28.1%***	*27.8%*		*26.0%*	

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.

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.

3 Investment in machinery is the investment the business has made on converting machinery and for the prior year related to three high speed converting lines (two toilet and one kitchen) and in the current year related to two high speed converting lines that have yet to be installed and commissioned.

Revenues

	FY16	FY15	VAR
Discounter	**69%**	63%	6%
Multiple	**9%**	9%	0%
Other	**22%**	28%	(6)%
	100%	100%	0%

Revenues grew by 17.0% or £17.2m year on year with the majority of the growth from the Discounters. The Discount segment of the UK tissue market continues to grow strongly, taking share from the Multiples. Multiples, however, continue to be the biggest market segment and throughout the year, we have continued to work closely with our Multiple customers delivering a 15% increase year on year in the value of sales to this segment. In terms of products, toilet tissue revenues showed the highest year on year growth of 35.5% or £14.0m. As a proportion of revenue, toilet tissue has increased from 38% in the prior year to 44% in the current year, which reflects our investment last year in two toilet tissue converting lines.

Gross margin

Reported gross margin increased by 4.3% to 29.2% for the year to 30 April 2016. Adjusted gross margin excludes the impact of unrealised gains and losses on outstanding forward foreign currency contracts valued at the Balance Sheet date. Adjusted gross margin increased by 2.1% from 26.0% for the year ended 30 April 2015 to 28.1% for the year ended 30 April 2016. The increase of 2.1% is mainly due to:

- In the prior year, we invested in, installed and commissioned three new high-speed converting lines ahead of the anticipated sales increase. In the current year, we have filled two of these lines with some capacity remaining on the third line which overall has contributed to an increase in gross margin year on year of c.0.8%.
- Our average £:US$ transacted exchange rate decreased by c.6% year on year versus our average transacted US$ per tonnage paper purchase price decreasing by more at c.9%. As such, in the current year, we have a favourable purchase price variance of c.1.3% of gross margin.

To mitigate adverse movements in exchange rates on both the US$ and Euro versus Sterling, we enter into forward currency contracts selling Sterling and purchasing both US$ and Euros. Prior to the UK's decision to exit the EU in the recent referendum, we entered into additional forward currency contracts in both US$ and Euro.

Administration costs

Administrative expenses have increased year on year by £2.5m with £1.5m due to an increased headcount to support the sales growth, £0.4m due to an increase in the amortisation charge, with all of the following due to the three new lines installed during the prior year; £0.3m of the increase due to an increase in the depreciation charge, £0.3m due to an increase in rents and £0.3m due to increase in electricity costs.

The amortisation charge relates to the writing down over 10 years of the intangible, customer relationships, that arose on the acquisition of Accrol Holdings Limited on 14 July 2014. The year on year increase is due to the acquisition occurring part way through the prior year.

Exceptional costs of £1.5m in the prior year related to the expensing of the deal fees incurred as part of the acquisition of Accrol Holdings Limited on 14 July 2014. Current year exceptional costs of £0.5m relate to one off consultancy fees of £0.3m and £0.2m relating to a fire in September 2015 in the embossing unit in one of our converting lines. The line was back up and running within one week with no disruption to customer orders.

Distribution costs

Distribution costs as a percentage of sales have remained consistent year on year at 8.0%. We regularly review transport costs and use a variety of hauliers in order to ensure we are getting value and good service.

Adjusted EBITDA

Adjusted EBITDA has increased by £2.8m or 22.5% year on year from £12.3m to £15.0m.

Finance costs

Finance costs include the interest payable on the 10% fixed rate secured manager loan notes and the 10% fixed rate secured investor loan notes. Finance costs increased year on year by £0.7m, mainly due to the loan note interest and the bank loan interest being for a 12 month period in the current year versus part of the year in the prior period. One of the reasons for the listing on AIM in June 2016 was to reduce the debt burden on the business and reduce the financing costs by repaying both tranches of 10% fixed rate secured loan notes.

Taxation

The effective tax rate for the proforma period was high at 38.0% due to the add back of the amortisation of the customer relationships intangible and the add back of the loss on financial instruments. The effective tax rate for the current year is lower at 18.3% as the latter adjustment in the current was a gain.

Balance sheet

Property, plant and equipment

In the previous financial period, we installed and commissioned three new high-speed converting lines, two toilet tissue lines and one kitchen towel line. At the end of the current financial year, two further converting lines were acquired for £3.2m, of which £0.3m was paid in cash and the balance of £2.9m funded through finance leases. These assets are key to supporting our strategy.

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		
	2016 £'m	2015 £'m	Var £'m
Inventories	**9.4**	9.4	–
Trade and other receivables	**21.3**	19.3	2.0
Trade and other payables	**(15.5)**	(17.1)	1.6
	15.2	11.6	3.6

Raw material stocks increased by £0.6m in line with the sales growth with finished goods stocks decreasing by a similar amount. Finished goods stocks at the year-end were lower than expected due to higher than expected demand around the year-end.

Trade receivables increased by £1.6m in line with the sales growth, showing our continued tight control of cash collection.

Trade payables decreased by £1.2m due to our decision to accept more favourable Parent Reel pricing versus credit terms.

Borrowings and cashflow

	Actual		
	2016 £'m	2015 £'m	Var £'m
Bank loan facility	**3.7**	4.8	1.1
Finance leases	**10.8**	11.0	0.2
Shareholder loans	**41.1**	40.8	(0.3)
Factoring facility	**7.5**	5.8	(1.7)
Borrowings	**63.1**	62.4	(0.7)
Cash and cash equivalents	**(2.5)**	(0.7)	1.8
Net debt	**60.6**	61.7	1.1

The decrease in the bank facility is due to quarterly repayments of £0.3m per quarter made during the current year.

Finance lease creditor reduced in the current year by the monthly capital repayments of £3.1m, offset by an increase of £2.9m due to financing of the two lines acquired towards the end of the current financial year.

Shareholder loan interest of £4.1m was paid in July 2015 which was similar to the annual charge and so overall, the shareholder loans maintained a similar level year on year.

Net cash generated during the year was £1.7m which supported a £1.1m decrease in net debt. On listing on AIM, the shareholder loan notes were repaid with part of the proceeds. In addition, on 13 June 2016, the bank loan facility and the finance leases were also repaid from a new Revolving Credit Facility (RCF). The RCF is a five-year £18m facility with a day 1 drawdown of £13.0m. 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

Looking forward

After successfully completing our AIM listing, we are looking forward to the next chapter as a publicly owned company. As before, our goal is to provide shareholder value through the provision of quality products and services to our existing and new customers. We have committed to a 6% dividend yield at the IPO placing price which is supported by our strong historical cash generation. Trading in the first few months of the financial year ending 30 April 2017 is in line with management expectations and we remain confident in the financial outlook for the financial year end 30 April 2017.

James Flude
Chief Financial Officer
22 July 2016

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
Customer concentration		
The loss of a major customer.	• 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.	• Nurture relationships with key customers. • Understand our customers' business in order to spot opportunities. • Ensure customer service levels are high. • Be ready to take advantage of market opportunities to take on new customers.
Cost of input goods and materials		
Parent Reel and pulp pricing and capacity.	• The Group considers that due to oversupply of Parent Reels and Pulp at present, Parent Reel prices are currently low. However, if prices rise above management expectations this could have a material adverse effect on the Group's ability to achieve strategic objectives.	• Nurture relationships with key suppliers. • Buy ahead. • Take spot opportunities when available. • Remain close to market dynamics on pulp price and capacity. • Increase knowledge of overall capacity in market to identify new opportunities. • Remain flexible with regard to new suppliers.
Market and production capacity		
New entrant into market.	• A new entrant into the market creating extra capacity and competition.	• Ensure that the Group remains cost competitive, delivering best quality and service to customers.
Winning a large customer contract.	• The winning of a large contract could absorb all capacity headroom and could lead to supply issues if not managed closely.	• 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.
Installation of new converting capacity.	• As the Group grows it needs to install new converting capacity to supply customers.	• We have done this on numerous occasions, most recently on the three new machines purchased in the previous financial year. • Regarding the two machines purchased in the current year, the original machine manufacturers have decommissioned and stored the machines. The manufacturers will re-install and commission them at a new site.

Risk description	Impact	Mitigation
Financial		
Volatility of foreign exchange rates. (Increasing)	• 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.	• We have a hedging policy. • Currency purchased in line with hedging policy and budgets/forecasts. • Flex purchasing towards US$, Euro or Sterling where appropriate.
Information technology dependency		
The Group relies on IT systems in its day to day operations. (Decreasing)	• Disruption in critical IT systems could have a negative impact on production and important business processes.	• A recent detailed IT review and mapping exercise has been undertaken. The IT strategy is in place and is reviewed on an ongoing basis. • Critical business continuity plans and disaster recovery contingencies are in place.
Human resources		
Key person dependency. (No movement)	• Loss of key individuals could impact the Company's ability to deliver its strategic goals, and result in declining performance and loss of investor confidence.	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: • The regular review of remuneration packages, including share incentive schemes; • Regular communication with staff; and • An annual performance review process.
Regulatory		
Failure to adhere to regulatory requirements such as taxation, the Data Protection Act, Health and Safety and Fire Safety regulations in particular. (No movement)	• 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. • Non compliance to Data Protection and Health & Safety regulations could result in fines, litigation and reputational damage.	• Ensure Group have robust operational policies, procedures, risk assessments and contingencies. • 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. • Update and test the Disaster Recovery Plan annually.

Increasing   Decreasing   No movement

Since the IPO our Board of Directors now comprises:

	Peter Cheung	Steve Crossley
Position	Executive Chairman	Chief Executive Officer
Key strengths	30 years of operational and financial experience in blue chip manufacturing, FMCG and retail. Extensive experience in the soft tissue industry.	35 years of experience in UK food manufacturing and distribution at senior management or board level.
Date joined the Board	Chairman since November 2014.	June 2016.
Previous experience	20 years as a main board director. Peter has worked alongside private equity firms since 1997 and served on the board of AM Paper (SCA Soft Tissue) as Corporate Development Director, TMD Friction as Chief Financial Officer, Jemella Group (ghd) as Chief Operating Officer and Chairman of the Operating Board. He is a qualified CIMA accountant.	Steve spent 27 years at Unigate plc and Northern Foods plc latterly as an Operating Board Director and Divisional Managing Director of Chilled Foods. 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). Steve has experience working with venture capitalists and banks to raise capital for investment.
Other commitments		

James Flude

Chief Financial Officer

Extensive experience in managing finance functions and financial reporting.

January 2015.

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 six 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 Lake

Independent Non-Executive Director

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

June 2016.

Joanne has over 30 years' experience in accountancy and investment banking primarily with Panmure Gordon, Evolution Securities, Williams de Broë and Price Waterhouse.

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.

Steve Hammett

Independent Non-Executive Director

Range of retail experience.

June 2016.

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 nine Middle East and North Africa markets.

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

Chairman's introduction to Corporate Governance

I am pleased to introduce the Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2016. 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 appropriate governance 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, a review of the kind of governance structure that was required and that would be appropriate for Accrol at this time, was undertaken and began to be implemented.

This review 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 long-term benefit of all shareholders.

The Committees noted below were formed upon our IPO and therefore after our current April 2016 year end. In this Corporate Governance Report, the Board take the opportunity to set out and explain our framework for Corporate Governance for future periods.

Peter Cheung
Executive Chairman
22 July 2016

Strategic Report

Governance

Financial Statements

Governance statement

The Company's shares are listed on AIM and are subject to the AIM Rules of the London Stock Exchange and consequently are not required to comply with the provisions or report in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in 2014. However, the Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations. Since Admission, the Directors have moved towards applying 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 Company. 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 Company and the roles are clearly set out in writing and reviewed by the Board. The primary responsibility of the Chairman is to lead and manage the Board and that of the Chief Executive is to manage the business of the Group.

The Chairman

Peter Cheung was appointed as Chairman in November 2014. The Chairman is responsible for leading and managing the Board and ensuring its effectiveness in all aspects of its role. He works closely with the Chief Executive on developing Group strategy and provides general advice and support.

The Chief Executive Officer

Steve Crossley is the Company's Chief Executive. His principal responsibility is to manage the Group's business and to lead the Senior Management Team in delivering the Company's strategic and operational objectives.

The Non-Executive Directors

The Non-Executive Directors are each considered by the Board to be independent, in both character and judgement, in accordance with the recommendations of the Code.

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 going forwards will include:

- Finance and operations review
- Annual budget and forecasts
- Risk review
- Strategic plans
- Health and safety
- Potential merger and acquisition targets
- Reports from the Board Committees
- Board evaluation

The Board also delegates a number of its responsibilities to committees and management as described below.

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 will meet 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 will meet as required.

Steve Hammett is Chairman of the Remuneration Committee which also comprises Peter Cheung and Joanne Lake. The Remuneration Committee will review the performance of the Executive Directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee will meet at least once a year.

Board and Committee meetings

The Board will meet on a formal basis regularly. Members will be supplied with financial and operational information in good time for review in advance of the meetings.

All Directors will 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, the Chief Financial Officer and two Non-Executive Directors. The Directors' profiles appear on pages 22 and 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 Chairman will foster a climate of debate and challenge in the boardroom, built on his challenging but supportive relationship with the Chief Executive which will set the tone for Board interaction and discussions.

Diversity

Vacancies on the Board are 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 Company 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. Our 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 Company or the Non-Executive Director on one 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 28 to 32 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 appraised 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 Company 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 will be undertaken by the 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 two previous annual general meetings.

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

The role of the Committee is to:
- Set the remuneration policy for all Executive Directors and the Chairman of the Board;
- 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; and
- 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 will be 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; and
- 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 will attend a number of these meetings. The Audit Committee will also meet with the external audit partner without the Executives present.

The role of the Committee will be 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; and
- 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 Company's performance, business model and strategy. In doing so, the following issues have been addressed:
- Review of key strategic risks – the Audit Committee will conduct a review of the key strategic risks every six months. The review will highlight 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
- 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 will enable them 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 Company'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 will report 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 will review the inherent risks, including the key risks and the system of control necessary to manage such risks. The Audit Committee will review the effectiveness of the Group's procedures in managing risk. The business risks and controls to mitigate the risks will be formally reviewed by the Audit Committee and the Board at least twice a year. The Board are satisfied that this will be an ongoing process, which will operate throughout the year, for identifying, evaluating and managing 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;
- The Group has set appropriate levels of authorisation which must be adhered to as the Group concludes its business; and
- 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.

With regard to the Group's financial position, it had cash and cash equivalents at the year end of £2.5m (2015: £0.7m).

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 29.

Relations with shareholders
The Board appreciates that effective communication with the Company'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 Company's strategy, reputation and performance. The Executive Directors have overall responsibility for ensuring effective communication and the Company 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 advisors 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 Company'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 AGM 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 Accounts. 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 AGM, a copy of the AGM presentation and details of the poll results will be posted on the Company's website after the meeting.

Richard Almond
Company Secretary
22 July 2016

Statement from the Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for Accrol Group Holdings plc for the year ended 30 April 2016. This report includes my statement, the Annual Report on remuneration for the period and sets out our forward-looking directors' remuneration policy.

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. We hope that you will find this useful.

Our directors' remuneration policy

In the lead up to Admission the Company undertook a 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.

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 above objectives.

During the year the Board considered and approved the implementation of an annual bonus plan and management incentive plan to incentivise key management to generate growth post-Admission. Further detail on these are set out in the Remuneration Policy section of this report.

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

- Annual Report on Remuneration providing details of the payments made to directors in the year ending 30 April 2016, pages 29 to 32.
- Directors' Remuneration Policy setting out the Company's forward looking remuneration policy, pages 29 to 32.

Steve Hammett
Chairman of the Remuneration Committee
22 July 2016

Annual Remuneration Report for 2016

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.

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.

Directors' remuneration

The tables below set out the total remuneration for Executive and Non-Executive Directors for the financial year ending 30 April 2016 and 30 April 2015.

Executive Director	**Total remuneration 2016 £**	Total remuneration 2015 £
Majid Hussain[1]	**84,000**	64,578
Jawid Hussain[1]	**108,000**	74,624
John Flanagan[1]	**102,180**	89,123
Gary Earle[1]	**204,804**	150,260
Colin Platt[1,4]	**96,000**	51,693
James Flude[2,4]	**114,000**	38,000

Non-Executive Director	**Total fees 2016 £**	Total fees 2015 £
Peter Cheung[2,3]	**72,000**	37,500

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 expires on 10 June 2017. There are no performance conditions or other conditions attaching to these shares which are fully vested in the individuals.

3 At the time of Admission, Peter Cheung took on an Executive Chairman role. He will continue this role for a short period post-Admission before moving back into a Non-Executive role.

4 Colin Platt and James Flude became Directors of the Company part way through the year ended 30 April 2015.

Remuneration policy

This policy has been developed to apply 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.
- To operate a remuneration policy that is a mix of fixed and variable pay. Variable pay is both short term and long-term.
- To align directors' interests with those of the Company.
- To have a pay for performance approach.
- To provide a market competitive level of remuneration to enable the company to attract and retain high level individuals, to support the ongoing success of the Company.

As part of this an annual bonus plan has been introduced which takes effect from the start of the financial year ending 30 April 2017. The Company has also adopted the 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
Base salary 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.	The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. 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. There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee. 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.
Benefits To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	Benefits include but may not be limited to private medical insurance, cash car allowance and life assurance cover. Other benefits may be provided to the Directors if considered appropriate by the Committee.
Pension To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	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. 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.

Purpose and link to strategy	Operation
Annual Bonus Plan To incentivise delivery of the Group's annual financial and strategic goals.	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: • Threshold performance – achieving 90% of the relevant target – pay out of 25% of the relevant part of the award. • Budget performance – achieving 100% of the relevant target – pay out of 60% of the relevant part of the award. • Maximum performance – achieving 110% of the relevant target – pay out of 100% of the relevant part of the award. In measuring performance, the following performance measures will be used: • Profit before tax – 80% of award. • Cash generation – 20% of the award. The maximum bonus available is 100% of base salary per annum. This would only be paid out if the maximum targets are met. 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.
Management Incentive Plan (MIP) To incentivise the delivery of key performance measures over the long-term. To retain key executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.	The MIP is a one-off award in connection with the Admission, there is no intention to make ongoing annual awards. 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. The MIP has a three 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). 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. The Company may, at its discretion, purchase the MIP Shares for cash or by way of the issue of Ordinary share 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.

Footnotes to the Remuneration Policy
- Ancillary benefits include private medical insurance expenses, life assurance cover (at four 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 twelve 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 summary – Non-Executive Directors

Purpose and link to strategy	Operation
Non-Executive Directors' fees To attract and retain the right individuals required to support the achievement of both short and long-term value creation.	Fees for Non-Executive Directors are based on market practice and are reviewed by the Board each year. All Non-Executive Directors receive a basic fee each year with an additional fee provided for each committee chairmanship and membership. The maximum aggregate amount of fees that the Company may pay to all the Directors who do not hold executive office for their services as such is £120,000 per annum, or such larger amount as the Company may by ordinary resolution decide. These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally.

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 simply Ordinary and Deferred shares. 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 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 28 to 32. Details of the Directors' interests in the share capital of the Company are set out below. 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. 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 2016, the Directors do not recommend payment of a dividend. Going forward to the year ending 30 April 2017, the Directors' have stated their intention to approve a 6% dividend payment at the IPO placing price.

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

Post balance sheet events
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 22 to 27, and forms part of this report by reference.

Health & 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 each Board and Operations meeting.

Charitable and political donations
Charitable donations of £35,230 (2015: £41,457) 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.

Share capital
The details of the issued share capital at the end of the 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 one 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.

Pursuant to the Placing agreement, each of the Directors and the pre Admission shareholders have undertaken 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 2016, and as at the date of signing 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 2016	Number of £1 Ordinary share As at 30 April 2016	% of issued share capital As at 30 April 2016
Majid Hussain	B	1,542	12.1%
Peter Cheung	C and D	250 C & 572 D	6.3% in total
Gary Earle	C and D	100 C and 572 D	5.3% in total
John Flanagan	C and D	100 C and 572 D	5.3% in total
Colin Platt	C and D	100 C and 572 D	5.3% in total
James Flude	C and D	100 C and 572 D	5.3% in total

	Number of £0.001 Ordinary shares As at 20 July 2016	% of issued share capital As at 20 July 2016
Peter Cheung	611,683	0.66%
James Flude	244,680	0.26%
Joanne Lake	25,000	0.03%

Substantial shareholders

As at 30 April 2016, 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	1,542	12.1%
Wajid Hussain	1,542	12.1%
Mozam Hussain	1,541	12.1%
NorthEdge Capital	4,625	36.2%
Peter Cheung	822	6.3%
Gary Earle	672	5.3%
John Flanagan	672	5.3%
Colin Platt	672	5.3%
James Flude	672	5.3%

As at 20 July 2016, 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 Limited	8,800,000	9.5%
AXA Investment Managers UK	8,400,000	9.0%
Schroder Investment Management	8,000,000	8.6%
Majedie Asset Management Limited	5,411,105	5.8%
Ruffer LLP (for its discretionary clients of the Ruffer Group)	5,000,000	5.4%
Premier Fund Managers Limited	3,600,000	3.9%

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 6 and 8, 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, as the Group is at the start up stage of its business life cycle. Accordingly, they have continued to adopt the going concern basis in preparing the Group and Company financial statements.

Disclosure of information to the Auditor

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

a So far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
b 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 Auditor is 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 Stanley House Hotel, Mellor, Lancashire, BB2 7NP on 30 September 2016 at 11am.

On behalf of the Board

Steve Crossley
Chief Executive Officer
22 July 2016

Directors’ Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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.

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

For year ended 30 April 2016

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 2016 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 2016;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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 Directors' Responsibilities Statement, 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.

Other matter

We have reported separately on the company financial statements of Accrol Group Holdings plc for the year ended 30 April 2016.

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 July 2016

Consolidated Income Statement
For year ended 30 April 2016

Continuing operations	Note	2016 £'000	2015 £'000
Revenue	4	**118,219**	81,904
– Cost of sales before gain/(loss) on derivative financial instruments		**(84,996)**	(59,162)
– Gain/(loss) on derivative financial instruments		**1,266**	(1,455)
Cost of sales		**(83,730)**	(60,617)
Gross profit		**34,489**	21,287
Administration expenses		**(13,138)**	(8,954)
Distribution		**(9,431)**	(8,549)
Operating profit	5	**11,920**	3,784
Analysed as:			
– Adjusted EBITDA[1]		**15,038**	9,971
– Depreciation	10	**(1,831)**	(1,511)
– Amortisation	11	**(2,060)**	(1,691)
– Gain/(loss) on derivative financial instruments		**1,266**	(1,455)
– Exceptional items	5	**(493)**	(1,530)
Operating profit		**11,920**	3,784
Finance costs	8	**(4,941)**	(4,132)
Profit/(loss) before tax		**6,979**	(348)
Tax charge	9	**(1,274)**	(352)
Profit/(loss) for the year attributable to equity shareholders		**5,705**	(700)

Consolidated Statement of Comprehensive Income

	Note	2016 £'000	2015 £'000
Profit/(loss) for the year attributable to equity shareholders		**5,705**	(700)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) attributable to equity shareholders		**5,705**	(700)

Earnings per share		**£**	£
Basic and Diluted	6	**576.26**	(73.58)
Adjusted	25	**865.15**	510.51

The notes on pages 41 to 64 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.

Consolidated Statement of Financial Position
As at 30 April 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**24,407**	22,740
Intangible assets	11	**31,744**	33,804
Total non-current assets		**56,151**	56,544
Current assets			
Inventories	12	**9,361**	9,381
Trade and other receivables	13	**21,277**	19,301
Cash and cash equivalents	14	**2,456**	735
Total current assets		**33,094**	29,417
Total assets		**89,245**	85,961
Non-current liabilities			
Borrowings	16	**50,919**	49,968
Deferred tax liabilities	9	**4,478**	4,984
Total non-current liabilities		**55,397**	54,952
Current liabilities			
Borrowings	16	**12,193**	12,465
Trade and other payables	15	**15,454**	17,143
Income taxes payable		**909**	586
Derivative financial instruments	17	**190**	1,455
Total current liabilities		**28,746**	31,649
Total liabilities		**84,143**	86,601
Net assets/(liabilities)		**5,102**	(640)
Capital and reserves			
Share capital	20	**13**	10
Share premium		**84**	50
Retained earnings/(deficit)		**5,005**	(700)
Total equity shareholders' funds/(deficit)		**5,102**	(640)

The financial statements on pages 37 to 40 were approved by the Board of Directors on 22 July 2016.

Signed on behalf of the Board of Directors

Steve Crossley
Chief Executive Officer

James Flude
Chief Financial Officer

Company Registration Number 9019496

Consolidated Statement of Change in Equity
For year ended 30 April 2016

	Note	Share capital £'000	Share premium £'000	Retained earnings/ (deficit) £'000	Total equity/ (deficit) £'000
Balance at 30 April 2014		–	–	–	–
Transactions with owners					
Issue of Ordinary shares	20	10	50	–	60
Total for transactions with owners		10	50	–	60
Comprehensive income					
Loss for the year		–	–	(700)	(700)
Total comprehensive income		–	–	(700)	(700)
Balance at 30 April 2015		10	50	(700)	(640)
Transactions with owners					
Issue of Ordinary shares	20	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
Balance at 30 April 2016		**13**	**84**	**5,005**	**5,102**

Consolidated Cash Flow Statement

For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Operating profit		**11,920**	3,784
Adjustment for:			
Depreciation	5,10	**1,831**	1,511
Amortisation	5,11	**2,060**	1,691
(Gain)/loss on derivative financial instruments		**(1,266)**	1,455
Grant income		**(61)**	(22)
(Profit)/loss on disposals		**(22)**	11
Operating cash flows before movements in working capital		**14,462**	8,430
Decrease in inventories		**20**	2,375
Increase in trade and other receivables		**(1,975)**	(2,534)
(Decrease)/increase in trade and other payables		**(1,433)**	1,238
Cash generated from operations		**11,074**	9,509
Tax paid		**(1,460)**	(1,105)
Interest paid		**(4,918)**	(581)
Net cash flows from operating activities		**4,696**	7,823
Cash flows from investing activities			
Purchase of property, plant and equipment		**(683)**	(761)
Proceeds from sale of property, plant and equipment		**48**	–
Government grants received		**–**	1,000
Purchase of subsidiary	22	**–**	(25,100)
Net cash acquired with subsidiary		**–**	(850)
Net cash flows used in investing activities		**(635)**	(25,711)
Cash flows from financing activities			
Proceeds of issue of Ordinary share		**37**	60
Cost of raising finance		**–**	(781)
Increase/(decrease) in amounts due to factors		**1,656**	(4,395)
Repayment of capital element of finance leases		**(3,082)**	(1,856)
Repayment of bank loans		**(1,200)**	(900)
Drawdown of bank loans		**–**	6,000
Drawdown of shareholder loans/loan notes		**249**	20,495
Net cash flows used in/(from) financing activities		**(2,340)**	18,623
Net increase in cash and cash equivalents		**1,721**	735
Cash and cash equivalents at beginning of the year	14	**735**	–
Cash and cash equivalents at year end	14	**2,456**	735

1. General information

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

Statement of compliance

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, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

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 the profit and loss. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

Transition to IFRS

This is the Group's first set of financial statements prepared in accordance with IFRS. The Group previously prepared its financial statements under UK Generally Accepted Accounting Practice. The Group's deemed transition date to IFRS is 1 May 2014, the beginning of the first year presented, and the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards ('IFRS 1') have been applied as of that date. IFRS 1 allows certain exemptions in the application of particular IFRS to prior years in order to assist companies with the transition process. The exemptions applied are detailed in note 23.

Standards issued not yet effective

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

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

The adoption of these Standards and Interpretations is not expected to have a material impact on the 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. However, it is likely to result in an increase in leases recognised in the statement of financial position as finance leases and a reduction in the number of leases treated as operating leases and hence not recognised in the statement of financial position.

Going Concern

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

Consolidation

Subsidiaries

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

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

2. Summary of significant accounting policies continued

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Segments

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

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

Revenue

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

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

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

Cost of sales

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

Exceptional items

Items that are material in size 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 balance sheet date. All differences are taken to the income statement.

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

Property, plant and equipment

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

• Land and buildings	straight line over term of lease
• Plant and machinery	10% straight line, 40% residual value
• Motor vehicles	30% straight line
• Fixtures, fittings and office equipment	25% reducing balance

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

Intangible assets

Goodwill

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

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

Customer relationships and order books

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

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

Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. All tangibles and intangibles are allocated to the Group's sole CGU (see note 11).

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

2. Summary of significant accounting policies continued

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

The Group's activities expose it to financial risks associated with movements in foreign exchange rates. The Group uses forward foreign exchange rate contracts to hedge its foreign exchange rate exposure. The Group does not apply hedge accounting and re-measurements of the derivative financial instruments are recognised in the income statement. The use of financial derivatives is governed by the Group's treasury policies, as approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

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

Leases

Finance leases

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

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

Operating leases

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

Government grants

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents (excluding bank overdraft)

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

Trade payables

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

Current taxation

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

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

Deferred taxation
Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

Determining carry values of intangibles identified in business combinations
Valuation of separable intangible assets identified on new business combinations during the year requires management to make assumptions and estimates regarding the expected future cash generation of the intangibles identified, for which management employed the use of external valuation services to facilitate this exercise. Details of the intangible assets identified are set out in note 11.

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

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

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

	2016 £'000	2015 £'000
United Kingdom	**118,041**	81,624
Europe	**178**	280
Total	**118,219**	81,904

Major customers
In 2016 there were four major customers that individually accounted for at least 10% of total revenues (2015: two customers). The revenues relating to these customers in 2016 were £25,369,000, £14,300,000 and £13,769,000, £12,375,000 (2015: £21,701,000 and £9,444,000).

5. Operating profit
Operating profit is stated after charging/(crediting):

	2016 £'000	2015 £'000
Employee benefit expense	**9,927**	6,172
Depreciation of property, plant and equipment (included in administration expenses)	**1,831**	1,511
Amortisation of intangible assets (included in administration expenses)	**2,060**	1,691
(Profit)/loss on disposal of property, plant and equipment	**(22)**	11
Operating lease rentals	**1,946**	1,283
Net foreign exchange (gains)/losses	**(1,332)**	1,396
Grants income	**(61)**	(22)
Auditor's remuneration	**59**	52
Inventories recognised as expenses	**66,807**	44,332
Exceptional items		
Acquisition deal fees	**–**	1,530
Consultancy fees	**334**	–
Other	**159**	–
	493	1,530

The exceptional items are described below:

Year ended 30 April 2015
On 14 July 2014, Accrol Group Holdings plc through its subsidiary, Accrol UK Limited, purchased the entire issued share capital of Accrol Holdings Limited for a consideration of £45,600,000. Deal fees of £1,530,000 were incurred and have been fully expensed in the year of acquisition.

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

	2016 £'000	2015 £'000
Audit services	**36**	28
Non audit services:		
Tax compliance services	**10**	11
Tax advisory services	**13**	13
	59	52

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

6. Earnings per share

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

	2016 £'000	2015 £'000
Profit/(loss) for the year attributable to shareholders	**5,705**	(700)

	Number	Number
Basic weighted average number of shares[1]	**9,900**	9,514

	£	£
Basic earnings per share	**576.26**	(73.58)
Diluted earnings per share	**576.26**	(73.58)

Note 1: The basic weighted average number of shares is calculated by excluding the D class of shares as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

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

7. Employee costs

	2016 £'000	2015 £'000
Employee costs during the year amounted to:		
Wages and salaries	**9,171**	5,712
Social security costs	**684**	411
Other pension costs	**72**	49
	9,927	6,172

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

	Number	Number
Production	**431**	296
Administration	**29**	39
	460	335

8. Finance costs

	2016 £'000	2015 £'000
Shareholder loans	**4,099**	3,263
Bank loans and overdrafts	**158**	154
Finance lease interest	**358**	284
Interest on factoring facility	**183**	143
Amortisation of finance fees	**143**	288
	4,941	4,132

9. Income tax expense

Tax charged in the income statement

	2016 £'000	2015 £'000
Current income tax		
Current tax on profits for the year	**1,780**	895
Total current income tax	**1,780**	895
Deferred tax		
Origination and reversal of temporary differences	**(31)**	(348)
Change in tax rate	**(475)**	(195)
Total deferred tax	**(506)**	(543)
Tax charge in the income statement	**1,274**	352

The tax charge for the period is lower (2015: higher) than the effective rate of Corporation Tax in the UK of 20% (2015: 20%). The differences are explained below:

	2016 £'000	2015 £'000
Profit/(loss) before income tax	**6,979**	(348)
Effective rate	**20%**	20%
At the effective income tax rate	**1,396**	(70)
Expenses not deductible for tax purposes	**353**	617
Change in rate	**(475)**	(195)
	1,274	352

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

	Accelerated capital allowances £'000	Intangibles £'000	Other £'000	Total £'000
30 April 2014	–	–	–	–
Acquired	1,237	4,291	–	5,528
Charge in year	349	(354)	(344)	(349)
Change in deferred tax rate	(10)	(203)	18	(195)
30 April 2015	1,576	3,734	(326)	4,984
Acquired	–	–	–	–
Charge in year	127	(412)	254	(31)
Change in deferred tax rate	(176)	(306)	7	(475)
30 April 2016	**1,527**	**3,016**	**(65)**	**4,478**

The Finance Act 2013 reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. Further future rate reductions, to 19% from 1 April 2017 and 18% from 1 April 2020, were substantively enacted on 26 October 2015. Therefore, the rate of 20% (2015: 21%) 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 2016 (2015: 20%).

10. Property, plant and equipment

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost						
30 April 2014	–	–	–	–	–	–
Acquisition of subsidiary	126	435	15,138	133	–	15,832
Additions	30	97	3,899	–	4,417	8,443
Disposals	–	–	(24)	–	–	(24)
At 30 April 2015	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)
At 30 April 2016	**156**	**705**	**23,543**	**135**	**3,152**	**27,691**
Accumulated depreciation						
30 April 2014	–	–	–	–	–	–
Charge	39	86	1,335	51	–	1,511
Disposals	–	–	–	–	–	–
At 30 April 2015	39	86	1,335	51	–	1,511
Charge	10	119	1,626	76	–	1,831
Disposals	–	–	(23)	(35)	–	(58)
At 30 April 2016	**49**	**205**	**2,938**	**92**	**–**	**3,284**
Net book value						
At 30 April 2015	117	446	17,678	82	4,417	22,740
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 £16,052,000 (2015: £13,718,000) in respect of plant and machinery assets held under finance leases and £3,152,000 (2015: £4,417,000) in respect of assets under construction held under finance leases.

11. Intangible assets

	Goodwill £'000	Customer lists £'000	Order book £'000	Total £'000
Cost				
30 April 2014	–	–	–	–
Additions	14,982	20,427	86	35,495
At 30 April 2015	14,982	20,427	86	35,495
Additions	–	–	–	–
At 30 April 2016	**14,982**	**20,427**	**86**	**35,495**
Amortisation				
30 April 2014	–	–	–	–
Charge	–	1,623	68	1,691
At 30 April 2015	–	1,623	68	1,691
Charge	–	2,042	18	2,060
At 30 April 2016	**–**	**3,665**	**86**	**3,751**
Net book value				
At 30 April 2015	14,982	18,804	18	33,804
At 30 April 2016	**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 (note 22) and are attributed to the sole cash-generating unit ('CGU').

Impairment test for goodwill

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

11. Intangible assets continued

The key assumptions used in the value in use calculations are a pre-tax discount rate of 16% (2015: 16%) and a long term growth rate of 2% (2015: 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.

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 head room over the carrying value, consequently only significant adverse changes in these key assumptions would cause the group to recognize an impairment loss.

12. Inventories

	2016 £'000	2015 £'000
Raw materials	**6,996**	6,416
Finished goods and goods for resale	**2,365**	2,965
	9,361	9,381

13. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**20,793**	19,206
Less: provision for impairment of trade receivables	**(85)**	(62)
Trade receivables – net of provisions	**20,708**	19,144
Prepayments	**569**	157
	21,277	19,301

The trade receivables balance is aged as follows:

	2016 £'000	2015 £'000
Less than one month past due	**12,831**	11,705
Between one and two months past due	**7,120**	6,909
Between two and three months past due	**383**	342
Between three and six months past due	**459**	250
	20,793	19,206

Trade and other receivables which are less than three months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than three months past due are considered for recoverability, and where appropriate, a provision against bad debt is recognised. There are no trade receivables amounts more than six months past due.

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

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

	2016 £'000	2015 £'000
At the beginning of the year	**(62)**	–
Acquisition of subsidiary	**–**	(52)
Provisions made for receivables impairment	**(23)**	(28)
Amounts unused reversed	**–**	18
	(85)	(62)

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.

Strategic Report Governance Financial Statements

14. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	**2,456**	735

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

15. Trade and other payables

Trade payables are non-interest bearing and are payable on average within 29 days at 30 April 2016 (2015: 36 days).

	2016 £'000	2015 £'000
Trade payables	**7,868**	9,149
Social security and other taxes	**1,947**	1,821
Accruals and deferred income	**4,613**	5,086
Deferred government grant income	**1,026**	1,087
	15,454	17,143

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

16. Borrowings

	2016 £'000	2015 £'000
Non-current		
Bank facility	**2,600**	3,700
Finance leases	**7,232**	5,444
Shareholder loans	**41,087**	40,824
	50,919	49,968
Current		
Bank facility	**1,103**	1,070
Factoring facility	**7,485**	5,829
Finance leases	**3,605**	5,566
	12,193	12,465
Loan maturity analysis		
Within one year	**12,294**	12,465
Between one and two years	**4,164**	3,515
Between two and five years	**5,768**	5,629
After five years	**41,240**	41,321
	63,466	62,930

The following amounts remain undrawn and available:

	2016 £'000	2015 £'000
Factoring facility	**9,879**	10,051
	9,879	10,051

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

Term loan under the £20.495m 10% Fixed Rate Secured Manager Loan Notes 2023 ('Shareholder loans')

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

Term loan under the £20.495m 10% Fixed Rate Secured Investor Loan Notes 2023 ('Shareholder loans')

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

16. Borrowings continued

HSBC term loan under the £6.0m revolving bank facility ('Bank facility')

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

HSBC £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) Cash flow cover, b) Interest cover and c) Leverage. The covenants in relation to the Factoring Facility cover the following: a) Debt turn, b) Debt dilution, c) Disputed debt and d) Tangible net worth. The Group has been in compliance with all of the covenants during the periods under review. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

Finance fees

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

	2016 £'000	2015 £'000
Finance fees	**354**	497

17. Financial instruments

Derivative financial instruments

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

Current	**2016 £'000**	2015 £'000
Foreign currency contracts	**190**	1,455

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

	2016	2015
EUR (in €'000)	**–**	26,000
USD (in $'000)	**19,500**	19,700

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 period end is categorised as a Level 2 valuation, see below. The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

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

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

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

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	
	2016 £'000	2015 £'000
Financial assets		
Current		
Trade and other receivables	**21,277**	19,301
Cash and short-term deposits	**2,456**	735
Financial liabilities		
Current		
Borrowings	**12,193**	12,465
Trade and other payables	**15,454**	17,143
Derivative financial instruments	**190**	1,455
Non-Current		
Borrowings	**50,919**	49,968

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.

	2016 £'000	2015 £'000
Total borrowings	**63,112**	62,433
Less: cash and cash equivalents	**(2,456)**	(735)
Net debt	**60,656**	61,698

(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:

	2016 £'000	2015 £'000
Euro – gain	**–**	157
USD – gain/(loss)	**135**	(81)
	135	76

18. Capital and financial risk management objectives and policies continued

(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:

	2016 £'000	2015 £'000
Change in interest rate	**56**	55

(iii) Liquidity risk

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

The table below summaries the maturity profile of the Group's financial liabilities:

As at 30 April 2016	**Due within 1 year £'000**	**Due between 1 and 2 years £'000**	**Due between 2 and 5 years £'000**	**Due in more than 5 years £'000**	**Total £'000**
Borrowings	**12,295**	**4,163**	**5,768**	**41,240**	**63,466**
Trade and other payables	**15,454**	**–**	**–**	**–**	**15,454**
Derivative financial instruments	**190**	**–**	**–**	**–**	**190**
Total financial liabilities	**27,939**	**4,163**	**5,768**	**41,240**	**79,110**

As at 30 April 2015	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
Borrowings	12,465	3,515	5,629	41,321	62,930
Trade and other payables	17,143	–	–	–	17,143
Derivative financial instruments	1,455	–	–	–	1,455
Total financial liabilities	31,063	3,515	5,629	41,321	81,528

(iv) Credit risk

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

19. Commitments and contingencies

Operating lease commitments

The Group has entered into leases on commercial real estate. These leases have an average life of 12.6 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease expenditure charged to the income statement during the year is disclosed in note 5.

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

	2016 £'000	2015 £'000
Within one year	**1,740**	1,740
Between one and two years	**1,740**	1,740
Between two and five years	**5,220**	5,220
Greater than five years	**6,516**	8,256
	15,216	16,956

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:

	2016 £'000	2015 £'000
Within one year	**3,989**	5,917
Between one and two years	**3,228**	2,687
Between two and five years	**4,617**	3,302
	11,834	11,906
Future finance charges	**(997)**	(896)
Present value	**10,837**	11,010

The present value of finance lease liabilities is as follows:

	2016 £'000	2015 £'000
Within one year	**3,605**	5,566
Between one and two years	**2,963**	2,415
Between two and five years	**4,269**	3,029
	10,837	11,010

Capital commitments

	2016 £'000	2015 £'000
Contracted for but not provided	**–**	–

20. Share capital and reserves

Called up, allotted and fully paid

	2016 £	2015 £
Class A Ordinary shares of £1 each	**4,625**	4,625
Class B Ordinary shares of £1 each	**4,625**	4,625
Class C Ordinary shares of £1 each	**650**	300
Class D Ordinary shares of £1 each	**2,860**	–
	12,760	9,550

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

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

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

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

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

20. Share capital and reserves continued

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

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

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

No dividends have been paid or proposed in either 30 April 2016 or 30 April 2015.

21. Related party disclosures

(a) Identity of related parties

The Company is under joint control. The Company's controlling shareholders are NorthEdge Capital LLP and members of the Hussain family. Phoenix Court Blackburn Limited is a company under the control of the Hussain family providing commercial premises for letting. Alklar Limited is an entity under the common directorship of Peter Cheung, to which payments for Peter Cheung's services as a director for Accrol UK Limited are made.

The subsidiaries of the Group are as follows:

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

(b) Transactions with related parties

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

Transactions	**2016 £'000**	2015 £'000
NorthEdge Capital LP	**21,704**	21,668
NorthEdge Capital – GP	**460**	460
The Hussain family	**22,126**	22,126
Alklar Limited	**270**	8
Owed from related parties	**44,560**	44,262
Opening balance	**44,262**	–
Loans advanced during year	**249**	40,990
Interest charged	**4,099**	3,264
Purchases	**1,898**	1,190
Repayments	**(5,948)**	(1,182)
Owed from related parties	**44,560**	44,262
Borrowings	**41,239**	40,990
Trade & other payables	**3,321**	3,272
Owed from related parties	**44,560**	44,262

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	**2016 £'000**	2015 £'000
NorthEdge Capital LP	**2,129**	1,698
The Hussain family	**2,050**	1,632
Phoenix Court Blackburn Limited	**1,740**	1,085
Alklar Limited	**78**	39
Total	**5,997**	4,454

Terms and conditions of transactions with related parties

The purchases and loans from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables. Loans from related parties carry interest at 10%. Payments to Phoenix Court Blackburn Limited are in respect of the provision of services.

(c) Directors' emoluments

	2016 £'000	2015 £'000
Directors' fees	**72**	38
Emoluments	**709**	565
Other pension costs	**–**	–
	781	603

During the year retirement benefits were accruing to nil directors under defined contribution schemes (2015: nil). The aggregate amount of emoluments paid to the highest paid director was £204,000 (2015: £150,000).

Key management personnel comprises the directors of the Company and the trading subsidiary. The remuneration of all directors who have been identified as the key management personnel of the group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2016 £'000	2015 £'000
Short-term employee benefits	**986**	663
Post-employment benefits	**–**	–
Other long-term benefits	**–**	–
	986	663

22. Acquisitions

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

Goodwill represents the expected benefits to the wider Group arising from the acquisition. The fair value of assets and liabilities acquired are set out below:

	Fair value £'000
Net assets acquired	
Intangibles	20,513
Property, plant and equipment	15,832
Inventories	11,756
Trade and other receivables	17,642
Bank overdraft	(850)
Trade and other payables	(28,747)
Deferred tax liabilities	(5,528)
Net assets	**30,618**
Goodwill	14,982
Total consideration	**45,600**
Satisfied by:	
Cash	25,100
Loan notes	20,495
Shares issued	5
Total consideration	**45,600**
Net cash outflow arising on acquisition:	
Cash consideration	25,100
Bank overdraft acquired	850
Net cash outflow	**25,950**

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

The amount of revenue and profit for Accrol Papers Limited from 1 May 2014 to 14 July 2014 was £19.2m and £2.0m respectively.

For analysis of the full year revenue and profit of the Group including Accrol Papers Limited, refer to note 26 Proforma result.

23. Explanation of transition to IFRS

This is the first time that the Group has presented its financial information under IFRS. The last financial information under UK GAAP was for the year to 30 April 2015 and the date of transition to IFRS was 1 May 2014. 2015 is the earliest year for which Accrol Group Holdings plc has published UK GAAP financial information.

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

Set out below are the UK GAAP to IFRS consolidated statements of financial position reconciliations for Accrol Group Holdings plc at 30 April 2015 (last financial information under UK GAAP) and profit reconciliation for Accrol Group Holdings plc for the 10 months ended 30 April 2015.

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

	Note	UK GAAP £'000	IFRS adjustments £'000	IFRS £'000
ASSETS				
Non-current assets				
Property, plant and equipment	a(i)	22,124	616	22,740
Intangible assets	b(ii),c	31,430	2,374	33,804
Investments in subsidiaries		–	–	–
Total non-current assets		**53,554**	**2,990**	**56,544**
Current assets				
Inventories	d	9,306	75	9,381
Trade and other receivables		19,301	–	19,301
Cash and cash equivalents		735	–	735
Total current assets		**29,342**	**75**	**29,417**
Total assets		**82,896**	**3,065**	**85,961**
Current liabilities				
Borrowings	a(ii)	11,834	631	12,465
Trade and other payables	e	16,823	320	17,143
Income taxes payable	f(iii)	496	90	586
Derivative financial instruments	(g)	–	1,455	1,455
Total current liabilities		**29,153**	**2,496**	**31,649**
Non-current liabilities				
Borrowings		49,968	–	49,968
Deferred tax liabilities	f(ii)	1,539	3,445	4,984
Total non-current liabilities		**51,507**	**3,445**	**54,952**
Total liabilities		**80,660**	**5,941**	**86,601**
Net assets/(liabilities)		**2,236**	**(2,876)**	**(640)**
Capital and reserves				
Issued capital		10	–	10
Share premium		50	–	50
Retained earnings/(deficit)	a(iii),b(i),c,d,e,f(i),f(ii),g	2,176	(2,876)	(700)
Total equity shareholders' funds/(deficit)		**2,236**	**(2,876)**	**(640)**

(a) IAS 17 'Leases'

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

		2015 £'000
Tangible assets – recognition	(i)	616
Borrowings – recognition of lease liability	(ii)	(631)
Net reduction in net assets resulting from IAS 17	(iii)	**(15)**

(b) IFRS 3 'Business Combinations' – Intangible assets

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

		2015 £'000
Transaction fees expensed in the year	(i)	(1,530)
Recognition of identifiable intangibles on acquisition		(20,508)
Deferred tax		4,290
Net reduction in goodwill carrying value resulting from IFRS 3		**(17,748)**
Increase in other intangible assets carrying value under IFRS		20,508
Net impact in goodwill carrying value resulting from IFRS 3	(ii)	**2,760**

(c) IAS 38 'Intangible Assets'

Amortisation of intangible assets

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

	2015 £'000
Writeback of amortisation of goodwill (cumulative)	1,305
Amortisation of intangibles recognised on acquisition (cumulative)	(1,691)
Net decrease due to amortisation under IAS 38	**(386)**

(d) IAS 2 'Inventories'

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

	2015 £'000
Overhead absorption (cumulative)	91
Supplier rebates absorption (cumulative)	(16)
Net increase in inventories arising under IAS 2	**75**

(e) IAS 19 'Employee Benefits'

IAS 19 requires the accrual of unpaid holiday benefits.

	2015 £'000
Holiday pay accrual	(320)

(f) IAS 12 'Income Taxes'

		2015 £'000
Deferred taxes		
Net decrease in deferred tax liabilities due to IFRS adjustments	(i)	845
Net (increase) in deferred tax following recognition of intangibles on acquisition		(4,290)
Net (increase) in deferred taxes	(ii)	**(3,445)**
Incomes taxes		
Net increase in income taxes payable due to IFRS adjustments	(iii)	(90)

(g) IAS 39 'Financial Instruments'

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

	2015 £'000
Fair value of foreign currency contracts	(1,455)

23. Explanation of transition to IFRS continued

Statement of Comprehensive Income for the Year ended 30 April 2015

	Note	UKGAAP £'000	IFRS adjustments £'000	IFRS £'000
Revenue		**81,904**	**–**	**81,904**
Cost of sales	d,e,g	(58,917)	(1,700)	(60,617)
Gross profit/(loss)		**22,987**	**(1,700)**	**21,287**
Administration expenses	a(i),b,c	(7,067)	(1,887)	(8,954)
Distribution		(8,549)	–	(8,549)
Operating profit/(loss)		**7,371**	**(3,587)**	**3,784**
Analysed as:				
– EBITDA[1]		9,786	185	9,971
– Depreciation		(1,110)	(401)	(1,511)
– Amortisation		(1,305)	(386)	(1,691)
– Gain/(loss) on derivative financial instruments		–	(1,455)	(1,455)
– Exceptional items		–	(1,530)	(1,530)
Operating profit/(loss)		**7,371**	**(3,587)**	**3,784**
Finance costs	a(ii)	(4,088)	(44)	(4,132)
Loss before tax		**3,283**	**(3,631)**	**(348)**
Tax (charge)/credit	f	(1,107)	755	(352)
Profit/(loss) for the year attributable to equity shareholders		**2,176**	**(2,876)**	**(700)**

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.

Notes to the Consolidated Statements of Comprehensive Income

(a) IAS 17 'Leases'

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

		2015 £'000
Depreciation (P&L)		(400)
Operating lease rental (P&L)		429
Net impact on Administrative expenses resulting from IAS 17	(i)	**29**
Interest (P&L)	(ii)	(44)

(b) IFRS 3 'Business Combinations' – Intangible assets

Under IFRS 3'Business Combinations' the group have expensed transaction fees associated with the acquisition in 2014. The net impact in the years under review is as follows:

	2015 £'000
Transaction fees expensed in the year	(1,530)

(c) IAS 38 'Intangible Assets'

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

	2015 £'000
Writeback of amortisation of goodwill (cumulative)	1,305
Amortisation of intangibles recognised on acquisition (cumulative)	(1,691)
Net increase/(decrease) due to amortisation under IAS 38	**(386)**

(d) IAS 2 'Inventories'

	2015 £'000
Overhead absorption (cumulative)	91
Supplier rebates absorption (cumulative)	(16)
Net reduction in 'Cost of Sales' under IAS 2	**75**

(e) IAS 19 'Employee Benefits'
IAS 19 requires the accrual of unpaid employee holiday benefits.

	2015 £'000
Holiday pay accrual	(320)

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

	2015 £'000
Deferred taxes	845
Incomes taxes	(90)
Net impact of recognition of IFRS adjustments	**755**

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

	2015 £'000
Fair value of foreign currency contracts	(1,455)

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

24. Subsequent events

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

Share re-organisation
On 2 June 2016 Accrol Group Holdings plc issued 50 new A Ordinary share of £1 each and 50 new B Ordinary share of £1 each to NorthEdge Capital LLP and the Principal Shareholders (Majid Hussain, Wajid Hussain and Mozam Hussain) respectively. Accrol Group Holdings plc undertook a bonus issue of 4 A, B, C or D Ordinary share for each existing A, B, C and D ordinary share, respectively, to existing shareholders financed from the share premium reserve in order to enable Accrol Group Holdings plc to have a minimum nominal share capital of £50,000. The bonus shares were issued in the same proportions to the existing shareholdings. Each A, B, C and D ordinary share of £1 each was then sub-divided into 1,000 A, B, C and D Ordinary share of £0.001 each. Immediately prior to Admission, Accrol Group Holdings plc converted and re-designated the existing A, B, C and D shares of £0.001 each into Ordinary share of £0.001 each and deferred shares of £0.001 each. Following Admission, Accrol Group Holdings plc purchased all of the deferred shares of £0.001 each in its capital for an aggregate consideration of £1.

Adoption of employee share plans
On 2 June 2016, the Group adopted a Management Incentive Plan (MIP). Initially, there are three participants in the MIP. Participation in the MIP is at the discretion of the Board. There is an intention that at a future date, further shares will be issued to a member or members of the senior team.

24. Subsequent events continued

Relationship agreements

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

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

(i) transactions and relationships with them and their connected persons will be conducted at arm's length and on a commercial basis;
(ii) neither them nor any of their connected persons will take any action that would have the effect of preventing the Company from complying with its obligations under the AIM Rules; and
(iii) neither them nor any of their connected persons will propose or procure the proposal of certain shareholder resolutions.

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

(i) the Principal Shareholders in aggregate cease to hold in aggregate a shareholding to which attaches in excess of 10% of the total voting shares in the Company from time to time; and
(ii) the NorthEdge Capital Funds cease to hold in aggregate a shareholding to which attaches in excess of 10% of the total voting shares in the Company from time to time (as the case may be).

Initial Public Offering (IPO)

On the 10 June 2016 the company listed on AIM. The net proceeds of the Placing receivable by the Company being gross proceeds of £43.3m less estimated fees and expenses related to the Placing of £1.9m.

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.

Revolving Credit Facility agreement

At 30 April 2016, the Group had borrowings under a committed bank loan facility of £4m provided by HSBC plc, a factoring facility of £20 million 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, 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.

25. Non-GAAP measures

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 share outstanding during the year. The following reflects the income and share data used in the adjusted earnings per share calculation.

	2016 £'000	2015 £'000
Earnings attributable to shareholders	**5,705**	(700)
Adjustment for:		
Depreciation	**1,831**	1,511
Amortisation	**2,060**	1,691
Gain/(loss) on derivatives	**(1,266)**	1,455
Exceptional items – deal costs	**–**	1,530
Exceptional items – consultancy	**493**	–
Tax effect of adjustments above	**(258)**	(630)
Adjusted earnings attributable to shareholders	**8,565**	4,857

	Number	Number
Basic weighted average number of shares[1]	**9,900**	9,514

	£	£
Basic adjusted earnings per share	**865.15**	510.51
Diluted adjusted earnings per share	**865.15**	510.51

Note 1: The basic weighted average number of shares is calculated by excluding the D class of shares as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining ordinary equity shareholders.

26. Proforma result

The consolidated financial statements contain comparative information for the year to 30 April 2015 which does not include a full year of trading information.

The statutory consolidated income statement contains 10 months of trading results as the acquisition of the trading subsidiary, Accrol Papers Limited occurred on 14 July 2014 and not at the beginning of the financial year.

In order to aid year on year comparison, the statutory audited income statement has been adjusted to include the results relating to the period 1 May 2014 to 13 July 2014 that would have been included in the Accrol Group Holdings plc financial statements for year ended 30 April 2015 had the acquisition occurred on 1 May 2014.

2015 is the first year reporting under IFRS for Accrol Group Holdings plc, and there are a number of IFRS adjustments. As Accrol Group Holdings plc was incorporated in the financial period, the opening balance sheet did not include these IFRS adjustments and the cumulative IFRS impact has been included in the statutory comparatives. The adjustments column in the table on page 64, adjusts this cumulative IFRS impact and includes only the element of the IFRS adjustment relating to the year to 2015.

26. Proforma result continued

Proforma consolidated income statement for the year ended 30 April 2015

	Statutory 2015 £'000	Adjustments £'000	Unaudited proforma 2015 £'000
Revenue	81,904	19,152	101,056
Cost of sales before gain/(loss) on derivative financial instruments	(59,162)	(15,661)	(74,823)
(Loss)/gain on derivative instruments	(1,455)	428	(1,027)
Cost of sales	(60,617)	(15,233)	(75,850)
Gross profit	21,287	3,919	25,206
Administration expenses	(8,954)	(1,644)	(10,598)
Distribution	(8,549)	463	(8,086)
Operating profit	3,784	2,738	6,522
Analysed as:			
– EBITDA[1]	9,971	2,308	12,279
– Depreciation	(1,511)	2	(1,509)
– Amortisation	(1,691)	–	(1,691)
– (Loss)/gain on derivative financial instruments	(1,455)	428	(1,027)
– Exceptional items	(1,530)	–	(1,530)
Operating profit	3,784	2,738	6,522
Finance costs	(4,132)	(99)	(4,231)
(Loss)/profit before tax	(348)	2,639	2,291
Tax charge	(352)	(519)	(871)
(Loss)/profit for the year attributable to equity shareholders	(700)	2,120	1,420

This approach enables the reader of the financial statement to easily reconcile the statutory 2015 results to those that would have been presented in 2015 had a full year of trade been included under ongoing IFRS accounting treatment which was presented in the Historical Financial Information presented within the Admission document.

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 2016 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 2016;
- 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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 Directors' Responsibilities Statement, 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.

Other matter

We have reported separately on the group financial statements of Accrol Group Holdings plc for the year ended 30 April 2016.

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 July 2016

Company Statement of Financial Position
For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	3	**10**	10
Total non-current assets		**10**	10
Current assets			
Trade and other receivables	4	**25**	50
Cash and cash equivalents		**262**	–
Total current assets		**287**	50
Total assets		**297**	60
Current liabilities			
Trade and other payables	5	**200**	–
Total current liabilities		**200**	–
Total liabilities		**200**	–
Net assets		**97**	60
Capital and reserves			
Share capital	6	**13**	10
Share premium	6	**84**	50
Retained earnings	6	**–**	–
Total equity shareholders' funds		**97**	60

The financial statements on pages 66 to 68 were approved by the Board of Directors on 22 July 2016.

Signed on behalf of the Board of Directors

Steve Crossley
Chief Executive Officer

James Flude
Chief Financial Officer

Company Registration Number 9019496

Company Statement of Changes in Equity
For the year ended 30 April 2016

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 30 April 2014		–	–	–	–
Transactions with owners		–	–	–	–
Issue of ordinary shares	6	10	50	–	60
Total for transactions with owners		10	50	–	60
Comprehensive income					
Loss for the year		–	–	–	–
Total comprehensive income		–	–	–	–
Balance at 30 April 2015		10	50	–	60
Transactions with owners					
Issue of ordinary shares	6	3	34	–	37
Total for transactions with owners		3	34	–	37
Comprehensive income					
Profit for the year		–	–	–	–
Total comprehensive income		–	–	–	–
Balance at 30 April 2016		**13**	**84**	**–**	**97**

Company Cash Flow Statement

For the year ended 30 April 2016

	2016 £'000	2015 £'000
Cash flows from operating activities	–	–
Operating profit		
Decrease/(increase) in trade and other receivables	25	(50)
Increase in trade and other payables	200	–
Cash generated from/(used in) operations	**225**	(50)
Tax paid	–	–
Interest paid	–	–
Net cash flows from/(used in) operating activities	**225**	(50)
Cash flows from investing activities		
Purchase of subsidiary	–	(10)
Net cash flows used in investing activities	**–**	(10)
Cash flows from financing activities		
Proceeds of issue of ordinary shares	37	60
Net cash flows from financing activities	**37**	60
Net increase in cash and cash equivalents	262	–
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at year end	**262**	–

Notes to the Company Financial Information
For the year ended 30 April 2016

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

Statement of compliance
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.

Basis of preparation
The 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 the profit and loss. 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.

Transition to IFRS
This is the Company's first set of financial statements prepared in accordance with IFRS. The Company previously prepared its financial statements under UK Generally Accepted Accounting Practice. The Company's deemed transition date to IFRS is 1 May 2014, the beginning of the first year presented, and the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards ('IFRS 1') have been applied as of that date. IFRS 1 offers a number of exemptions from full retrospective application of applicable standards on transition to IFRS and it has been concluded that no exemptions are applicable to the Company.

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 Company financial statements 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. Its 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.

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. Investments in subsidiaries

	Group undertakings £'000
Cost	
30 April 2015 and 2016	10

The Company's subsidiary undertakings are shown in note 21 to the consolidated financial statements.

4. Trade and other receivables

	2016 £'000	2015 £'000
Prepayments and accrued income	**25**	–
Amounts owed by group undertakings	**–**	50
	25	50

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

5. Trade and other payables

	2016 £'000	2015 £'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.

6. Issued capital and reserves

Called up, allotted and fully paid

	2016 **£**	2015 £
Class A Ordinary shares of £1 each	**4,625**	4,625
Class B Ordinary shares of £1 each	**4,625**	4,625
Class C Ordinary shares of £1 each	**650**	300
Class D Ordinary shares of £1 each	**2,860**	–
	12,760	9,550

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

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

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

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

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

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

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

No dividends have been paid or proposed in 30 April 2016 or 30 April 2015.

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
9019496

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.

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