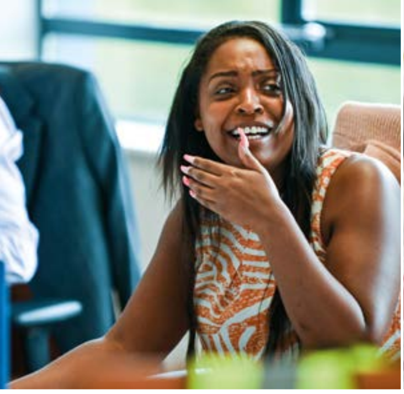


ACCROL GROUP

Annual Report & Accounts 2019





REDEFINING VALUE IN SOFT TISSUE PRODUCTS

FOUNDATION LAID FOR SUSTAINABLE PROFIT GROWTH

Accrol is the UK's leading independent tissue converter, producing private label toilet roll, kitchen roll and facial tissue products for most of the UK's major grocery retailers.

Our vision is to deliver the best possible value to the UK consumer on essential everyday tissue products.

We are shaking up traditional tissue brands by delivering the quality the consumer wants for the price they want to pay.

29% ↓

COST BASE REDUCTION

Definition – All non-material costs

64% ↑

OUTPUT PER HEAD

Definition – Pallets per head per month produced: Q4 FY19 v Full Year FY18

12% ↑

TOILET TISSUE REVENUE

Definition – full year sales of toilet tissue to retailers/discounters

£6.8M ↑

ADJUSTED EBITDA GROWTH

EBITDA after charging £7.9m (2018: £12.9m) to turnaround/exceptional costs and £1.3m to Share based payments (2018: £nil)

CONTENTS

IN THIS REPORT

For more information about our business visit our website:

www.accrol.co.uk

A YEAR OF GREAT CHANGE

OUR BUSINESS

340 ↓42%

Employees

Reduction driven by business simplification and investment in machinery with automation increased. Remaining staff have been retrained to create a higher skilled workforce, more engaged in the business and focused on operational excellence and increased productivity.

3rd party logistics headcount excluded.

4 ↓20%

Sites

The distribution centre in Skelmersdale was closed creating a saving of £6m per annum. The four remaining sites, a manufacturing, storage and distribution facility; a storage and administrative centre; a facial tissue plant, all in Blackburn; and a manufacturing, storage and distribution facility in Leyland were all improved by layout optimisation.

48 ↓52%

Total Customers

Our customer base was simplified with the exit from the Away From Home (AFH) product range, which totalled c.£25m revenue at its peak and served a large number of small customers (88% of customer reduction in the year).

We maintained our presence across major retailers and discounters. In addition, £30m of new consumer business was won in the year.

120 ↓74%

Stock Keeping Units (SKUs)

Simplification of the business including the exit from the low margin AFH sector and focused range reviews allowed the business to rationalise the production schedule and reduce stockholding costs.

For more information go to our website and listen to CEO Gareth Jenkins talk about our vision and strategy at:

www.accrol.co.uk/our-business

OUR JOURNEY

Actions taken to turnaround the business have laid the foundations for growth by creating capacity for scale and profitability.

For more information about the turnaround turn to pages 4 to 9

Before charging £12.9m to exceptionals (including £4.4m of FX and £4.0m relating to Skelmersdale exit)

Adjusted EBITDA (£6M) FY18

Representing low point of the turnaround cycle as issues identified and plans developed

Small profit achieved before charging £7.9m of turnaround and operational costs

Adjusted EBITDA £1M **FY19**

Against FX and paper price headwinds of c.£10.8m

KEY HIGHLIGHTS

£116.7M ↑1%

Core product revenue*
(2018: £115.9m)

£(27.1)M ↓20%

Net debt
(2018: £(33.8)m)

£1.0M ↑117%

Adjusted EBITDA
(2018: £(5.8)m)

£13.8M ↓29%

Cost base reduction

OUR VALUES

We challenge

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

We add value

By understanding what makes our customers more successful and consumers happy, we can add value to everything we do.

Customers

FOUNDATIONS LAID FOR SUSTAINABLE PROFIT GROWTH

Operational efficiency, cost control

796M ↑15%

Output capacity (toilet rolls)

83M

Spare capacity (toilet rolls)

Lead by an experienced team
People make the difference in all organisations. With a full leadership team now in place since July 2019 the Accrol group is capable of building on the business foundations that have been put in place.

To find out more about the team turn to pages 18 to 19

We are honest

We aim to do the right thing – being transparent, direct and honest in everything we do and setting realistic expectations on which we can deliver.

We deliver

We do what we do well, delivering the best quality service and products internally and externally.

OUR CUSTOMERS

Accrol is the leading supplier to the private label market, which is growing at over 8% year on year.

The size and scale of our customer base
Our knowledge of consumer behaviour comes from our broad customer base and helps drive product innovation. Research into new materials, alongside the use of cutting-edge technology in our manufacturing, means we can help our customers to react quickly to trends and deliver better value and great products to consumers.

We supply three of the top four retailers and all the major discounters.

OUR PRODUCTS

Toilet Tissue £84.8m

Facial Tissue £9.9m

Kitchen Towels £22.0m

* Core product is defined as the sale of toilet tissue, kitchen towel and facial tissue to retail customers.

THE MOST COMPLEX TURNAROUND: DELIVERED

By autumn 2017 Accrol had experienced a significant downturn in profitability which resulted in a cash shortfall, share suspension and requirement to seek additional funding from shareholders and re-negotiate bank facilities.

The business had expanded its operational capacity adding significantly to the cost base without the benefit of an increase in revenue. Furthermore, it had experienced challenges with foreign exchange (FX).

The turnaround began in earnest in February 2018 with every aspect of the organisation and operations reviewed and improved in some way. Whilst the new management team had experience of all the issues addressed, they had not previously attempted to make this number of changes in parallel over a 12-month period.

The key areas of focus, the change and the outcome are detailed in the table opposite and it is worth noting that it has all been achieved, not only without losing a customer of size, but also winning £30m of new consumer business.

Completely new management

- New senior team across two factory sites
- New executive and non-executive Board

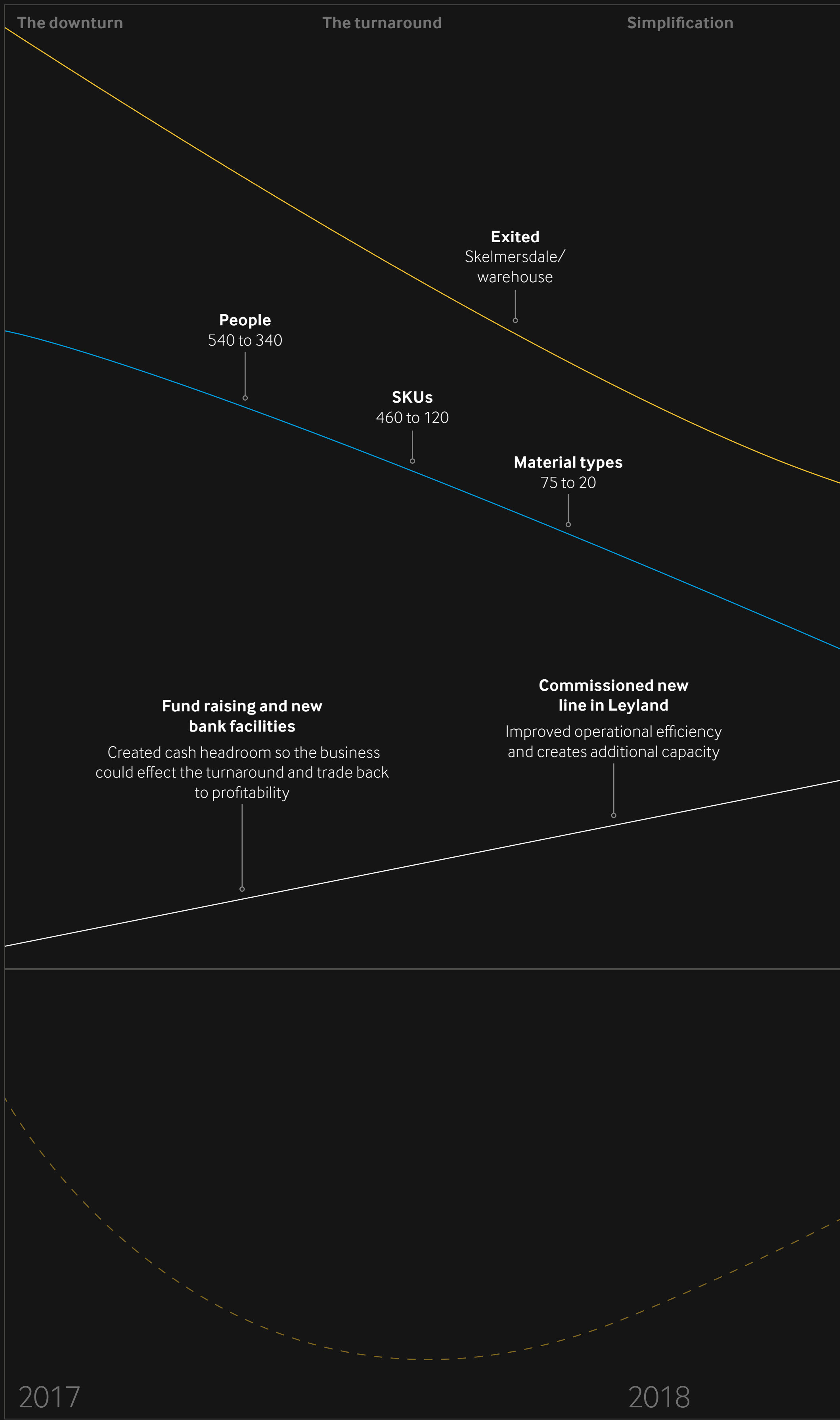
Complications
The process was complicated by a regulatory investigation into events that preceded the turnaround period.

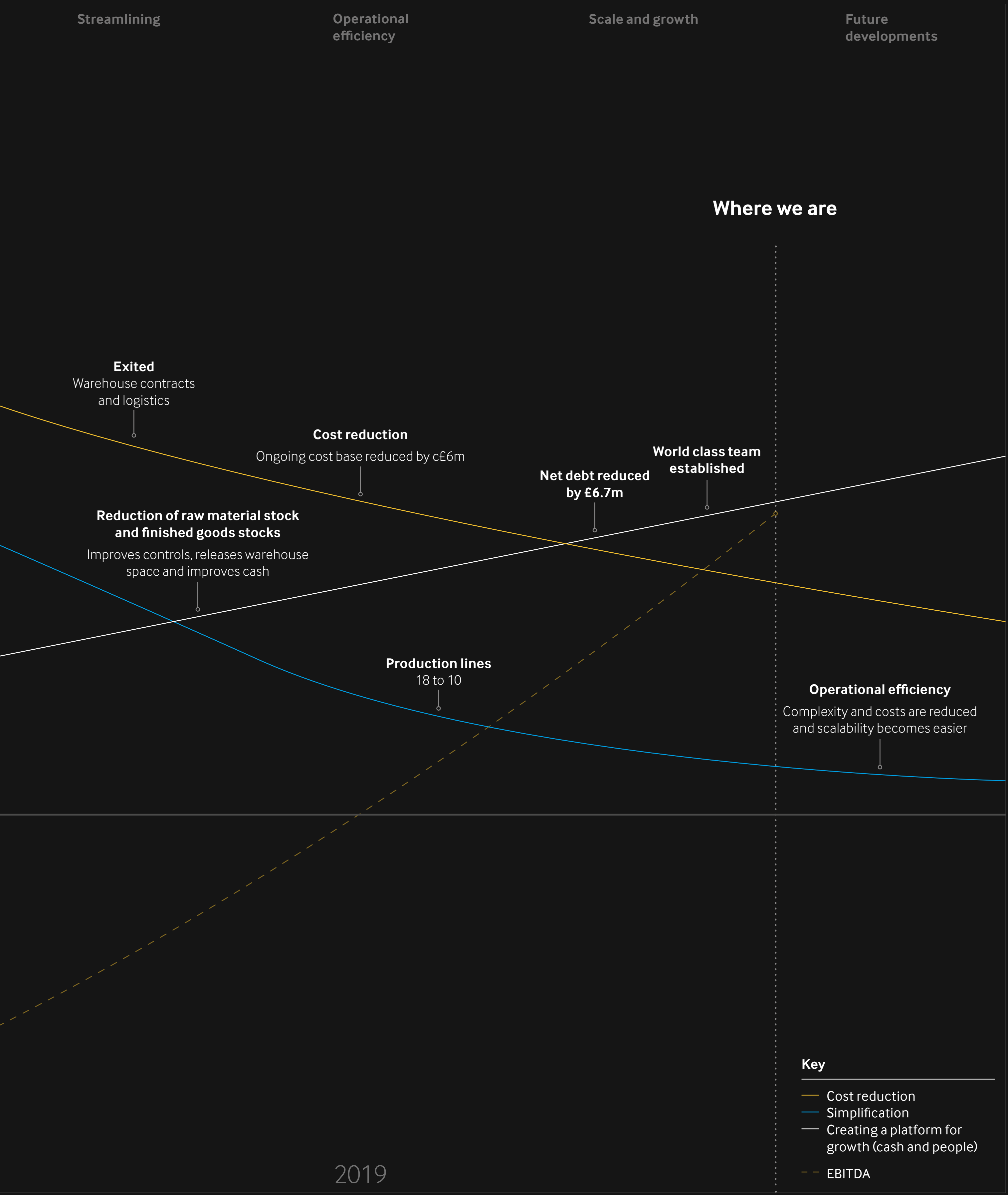
The turnaround cost

- 2018 – £12.9m
- 2019 – £7.9m

The high level of cost (full breakdown of costs is on pages 6 to 9) reflects the scale and speed of the turnaround and was imperative to protect customer service and manage cash consumption. It has created a platform for future growth and allows the business to easily scale up to meet increased demand.

Further costs
A new IT system to improve management controls will be implemented in the coming year at a cost of around £0.25m.





Streamlining
Operational efficiency
Scale and growth
Future developments
Where we are
Exited
Warehouse contracts and logistics
Cost reduction
Ongoing cost base reduced by c£6m
Net debt reduced by £6.7m
World class team established
Reduction of raw material stock and finished goods stocks
Improves controls, releases warehouse space and improves cash
Production lines
18 to 10
Operational efficiency
Complexity and costs are reduced and scalability becomes easier
2019
Key
Cost reduction
Simplification
Creating a platform for growth (cash and people)
EBITDA

THE TURNAROUND COSTS

Accrol is now a fundamentally different organisation, operationally, to that which was floated on AIM in June 2016. Every part of the organisation has been re-structured or changed in some way, since February 2018. The turnaround has delivered an organisation which is fit for purpose and one that has the best possible foundations on which to grow as the UK's leading low cost manufacturer of tissue-based products.

	2019			2018	
	Cost of sales £'000	**Administration £'000**	**Total £'000**	Administration £'000	Total £'000
Turnaround costs	**3,756**	**3,452**	**7,208**	**7,696**	**7,696**
A – Management reorganisation and restructure	–	724	724	1,116	1,116
B – Skelmersdale exit	605	2,569	3,174	3,961	3,961
C – Operational reorganisation and restructure	854	18	872	117	117
D – Raw material and finished goods stock waste	2,298	10	2,308	–	–
E – Impairment of property, plant and equipment	–	130	130	2,502	2,502
Other operational costs	**408**	**290**	**698**	**5,183**	**5,183**
F – Loss on derivative financial instruments	–	–	–	4,377	4,377
G – Other	408	290	698	806	806
Total "Turnaround Costs"	**4,164**	**3,742**	**7,906**	**12,879**	**12,879**

Turnaround Principles

- Management reorganisation and restructure
- Skelmersdale set up/exit
- Operational reorganisation and restructure
- Raw material and finished goods stock waste
- Impairment of property, plant and equipment

Turnaround Costs

The repair of the Accrol business and return to acceptable levels of monthly profitability has spanned two financial years; the year ended 30 April 2018 ("FY18") and the year under review, ended 30 April 2019 ("FY19"). In the early part of H2 FY18, steps were taken to stabilise the Group post the suspension of its shares on AIM. From February 2018, the new management team, comprising experienced turnaround specialists, began executing certain actions it deemed necessary to correct the wholesale operational inefficiencies across the business, whilst also addressing the challenge of the Group's cash position and banking facilities.

Costs of £21m were incurred during this process, which the Group consider to be non-recurring at these levels in the normal operation of the business. Exceptional costs arising from a protracted FCA investigation are expected to run into FY20 but the specific costs associated with the turnaround are now completed in the majority, as the outlook for the Group in both profit and cash terms is improving.

The Board believes that reporting an Adjusted EBITDA, after removing these exceptional costs and share based payment charges incurred to support the turnaround, best reflects the underlying trading performance of the business, which forms the base line for future forecasts. As such, Adjusted EBITDA is a key measure reviewed during the year alongside cash and net debt.

The costs incurred by the Group have been carefully evaluated and ascribed to certain classifications as detailed above.

A: Management reorganisation and restructure

The management reorganisation and restructure costs comprise three elements: establishing a new permanent management team; consultancy and temporary resource supporting the rapid implementation of the turnaround project; and consultancy and legal advice to secure new funding and reset banking covenants.

- *Establishing a new permanent management team £282k (FY18: £613k)*

In FY18, the Group was facing unprecedented input cost pressures. These, combined with operational inefficiencies throughout the business, placed Accrol in a wholly untenable position. The business would no longer be a going concern without rapid and wholesale remedial action. The success of major turnaround projects is dependent on the quality and experience of management. Accrol needed to strengthen its team considerably to ensure a positive outcome for all its stakeholders. Costs of £172k were incurred in hiring and exiting directors, including compensation for lost bonus payments to facilitate speedy appointment, compensation for loss of office for a departing director, recruitment search fees and legal costs. In addition, it was necessary to introduce a new incentive scheme that reflected the inherent risk taken by the incoming leadership team joining a business at such an early stage in its planned recovery. Previous incentive structures were only appropriate for a stable business and, with the survival of the Group at risk, external advisers were needed to construct, test, approve and document an entirely new scheme rapidly and at a cost of £110k.

FY18 costs included payments of £285k for exiting directors and £259k to attract appropriately experienced new directors. The Board and senior management team are now stable and any future compensation changes are expected to be handled internally.

- *Consultancy and temporary resource supporting rapid implementation of turnaround actions £282k (FY18: £247k)*

Additional external resource and expertise were required to ensure the rapid implementation of turnaround actions and manage short-term workload peaks resulting from this work. In the turnaround experience of the Board, much of this work would normally be undertaken by internal people. The issues at Accrol, however, were extraordinary and needed simultaneous and swift remedy to ensure the future of the organisation and protect stakeholders' interests. As such, incremental external resource was necessary to supplement the Group's existing capabilities. Projects, which would normally be completed sequentially, had to be run in parallel, including the establishment of processes for financial planning and reporting, procurement and paper ordering. These required dual resourcing at a cost of £252k. The temporary employment of additional resource was concluded, in the main, prior to the year end. Further costs relating to such resource are expected to be minor in FY20.

Additional fees of £30k resulted from an unusually lengthy audit process, focused on the turnaround, and work relating to cash recovery associated with tax losses.

- *Consultancy and legal advice to secure new funding and reset banking covenants £160k (FY18: £256k).*

In H2 FY18, the Group was in considerable financial distress. A Placing to raise £18m from shareholders was conducted in November 2018. A condition of this Placing was the resetting of the Group's banking covenants. Both were completed in December 2018. As the magnitude of the escalation in the Group's costs, however, became more apparent and mitigating customer price increase which took longer than anticipated to secure, the Group announced a further deterioration in expected results. A further negotiation of the Group's banking arrangements, accommodating this change and the associated cash shortfall, was required and secured in May 2018. A further Placing and Open offer was conducted in June 2018, to raise £8m cash to support the Group and effect the turnaround.

In September 2018, the Group announced that it had secured a further agreement with HSBC plc to amend the financial covenants contained in its facilities, bringing them in line with the Company's latest financial forecasts and incorporating a reasonable view of financial sensitivity headroom.

Attaining financial stability was a lengthy and complex process which required significant finance advisory and legal input. The Board believes that, as a result of this process, the Group has established a structure that will endure.

B: Establishment of and subsequent exit from Skelmersdale

A new warehousing and logistics operation at Skelmersdale was approved by the previous Board and management team and this new facility was brought into operation in H1 FY18. Following the strategic review of all the Group's operations and processes conducted by the new senior management team, it was clear by Q4 FY18 that this facility was surplus to requirements. Furthermore, it added complexity and cost to the Group's operations and the decision was taken to exit the site at the earliest opportunity to re-align operating costs. The FY18 accounts included turnaround costs of £3.51m, comprising initial site set up costs of £315k, a £130k accrual for professional fees associated with exit and provisions for exiting onerous contracts on the facilities and operation of the site of £3.65m.

As the Group moved into the execution phase of the turnaround in Q1 FY19, the management quickly established that the entire Skelmersdale operation could be accommodated in the Group's other existing facilities, subject to the agreement of legal positions and the implementation of the physical and IT changes at those sites. Most of the work was concluded by October 2018 but the final piece, bringing previously subcontracted warehouse employees in-house, was only concluded in February 2019 (Q4 FY19). The Group's warehousing operations have, subsequently, run on a radically reduced cost base with no adverse effect on customer service.

The pace of change in the early stages of the turnaround meant that the Board was unable to assess at that time that the incremental cost of the Skelmersdale operation was not required, not just the contractually onerous element provided for in FY18. The Skelmersdale site operated fully for less than 18 months including set up and close down periods. As such, the FY19 costs, of both running and then exiting this ineffective site amounted to £3.17m, comprising:

- *Additional labour and transport costs £1.67m (FY18: £nil)*

  These costs were incurred whilst operating logistics from multiple sites, shunting goods from production to warehousing sites, and under a third party agreement to provide and manage labour offsite. But for the complexities and scale of the changes across the business, these costs would have been addressed earlier. Instead, a carefully choreographed series of events across all sites was developed and executed, culminating in a clean transfer of operations in September 2018. Since the previously subcontracted warehouse employees were transitioned in-house in February 2019, the Group has demonstrated six months of seamless warehousing and logistics operation post exit from Skelmersdale;

- *Costs of the Skelmersdale facility £645k (FY18: £nil)*

  This facility was not required and added complexity and cost to the operational capability of the Group in H1 FY19, as demonstrated by the ease of operation and reduction in costs throughout the second half of the year. The Group anticipates no requirement for additional warehousing space in the foreseeable future;

- *Additional operating cost to create space £185k (FY18: £nil)*

  These costs were incurred creating space for warehousing and logistics at the Group's site in Blackburn; disposing of raw materials occupying valuable space (£119k), production inefficiency as lines were stopped and stock managed down (£49k) and extra storage costs (£18k) for the brief and temporary storage of stock offsite;

- *Project management support £246k (FY18: £nil)*

  This included expert advice, as well as additional temporary staff, to ensure actions could be implemented as quickly as possible. This additional resource is no longer required by the Group;

- *Consultancy and legal costs to effect the exit from Skelmersdale £176k (FY18, £nil)*

  The number and complexity of contracts that needed to be agreed prior to exit and the need for speed in execution required substantial advisory input;

- *Building repairs and dilapidations £256k (FY18: £nil)*

  The need for extensive repairs became evident as the Skelmersdale site was cleared in Q2 ready for the new tenant. Due to the length and terms of the sub lease, the facility needed to be returned to original condition.

C: Operational re-organisation and restructure

Key to the successful execution of the turnaround was the creation of a much-simplified production and warehousing operation, focused on fewer SKUs, suppliers and people. The Group needed to operate upgraded and well-maintained machinery to a more structured and efficient schedule. Central to this was the establishment of an operational blueprint detailing staffing plans, including roles, skills, numbers and hours, across the business. Comprehensive upskilling was required of our people to affect this. Training was conducted intensely for four months to raise skills levels, which enabled the subsequent reduction of staff numbers without impacting newly established operational efficiency. The total cost incurred was £872k (FY18: £nil), comprising:

- *Redundancy and associated professional fees £338k (FY18: £nil)*

  These were incurred as employee headcount was reduced to the new operational blueprint and production lines for discontinued products were shut down, as the new management team's simplification plans were executed;

- *Extensive investment in training £444k (FY18: £nil)*

  Instead of moving straight to blueprint numbers and costs in Q1, the operational workforce was maintained to underpin the Group's operations whilst a comprehensive "on the job" retraining effort was conducted from May to September. Due to the nature of the roles, it was very difficult to hire the nuanced skills required for individual product lines. Since the extensive re-training programme, the Group has enjoyed a sustained period of improved efficiency, as evidenced by the 64% increase in pallets per head in Q4 FY19 compared with the FY18 average;

- *Printed film wrapping write off £90k (FY18: £nil)*

  To enable a rapid shift to the Group's new rationalised product and manufacturing schedule, it was necessary to dispense with the Group's normal procedure of maintaining production of a product until all raw material stock, relating to that product, has been consumed. The benefits of achieving fixed schedule production out-weighed the loss on the film written off.

  The operation is now running efficiently at the targeted rate of headcount. No further programmes of retraining or redundancy are expected. New production schedules are embedded and material stock flows are balanced.

  The work on this did not begin until plans were formed in Q1 FY19 and, as such, no costs we incurred FY18.

D: Raw material and finished goods stock waste

Waste covers the paper, film wrapping and coreboard that is scrapped each month, as manufacturing issues prevent optimisation of raw material usage. The Group uses a measure of grams per roll to identify any variation from the norm. Despite the financial challenges facing the Group in the early part of 2018, the operation was managing production within norms and waste was improving month on month. An effective turnaround required a significant restructuring of the manufacturing approach, with considerable simplification of materials, schedules and finished goods, alongside changes to working practices and the physical layout. In addition, the low margin Away From Home ("AFH") market was exited and warehousing brought back on site with the closure of Skelmersdale.

The scale of the change could not be delivered under normal operating conditions and protocol. Based upon experience, the Board took the decision to allow exceptionally high levels of waste for a period of time to effect the implementation of an optimal production schedule rapidly. Once this new production schedule was in place, focus was returned to achieving base line levels of waste as seen in March 2018.

The simplification process implemented across every element of the business caused considerable disruption and waste increased in early summer FY19. Our training programme and the Group's exit from AFH and Skelmersdale, however, delivered a notable reduction in waste by September when actions to drive changes to paper sourcing and reel size caused a second spike. Further training and initiatives delivered by an expert advisor brought waste back down to the base line levels by March 2019, which have been sustained subsequently.

Operational stability has now returned, with costs down, output up 64% and waste levels returned to pre-turnaround levels. The Board consider the cost of £2.31m, relating to the excessive waste over March 2018 levels, to be an unavoidable element of the turnaround process, without which critical operational cost savings could not have been achieved in such a short timescale.

The turnaround activities which commenced in Q1 FY19 were the catalyst for the incremental waste and, as such, no costs relating to this were included as turnaround costs in FY18.

E: Impairment of Property, Plant and Equipment

In FY18, a provision of £2.06m was made against five redundant lines, whose space was required as part of the site re-organisation to allow the absorption of warehousing from Skelmersdale, and £446k for lines associated with the AFH business which was being exited.

In FY19, two AFH lines were sold at a price below the revised NBV and hence a loss was recognised of £130k.

F: Loss on derivative financial instruments

In FY18, there was a charge of £4.38m relating to early settlement costs of unrequired foreign exchange forward contracts, plus charges relating to contracts that, when crystallised, were not used to purchase raw materials. Since then, the new management has adopted a revised approach to paper purchasing and foreign exchange, to reduce the risk of over commitment. No exceptional losses were recorded in FY19.

G: Other

Other costs of a non-recurring nature were incurred during the year. Many relate to the challenging circumstances in which the Group found itself, due to the situation created in 2017. The total amounted to £698k (FY18: £806k) including;

- *FCA investigation £179k (FY18: £nil)*

  The FCA is investigating from 10 June 2016 to 30 September 2018 (see the RNS 6698N on 21 January 2019 and RNS 1694U on 24 March 2019). The Company has incurred significant consultancy and legal costs associated with the management of this investigation. A further amount has been assumed in FY20 forecasts, as the case continues (see Note 27 on contingent liabilities);

- *AFH exit £89k (FY18: £91k)*

  The exit of the low margin AFH business was a strategic decision to allow Accrol to focus on its core consumer products. In addition to the impairment costs associated with AFH machinery, the Group spent an additional £90k on corporate finance advice, redundancy costs and raw material sales/write offs as the exit was executed in summer 2018;

- *Cash generation £160k (FY18: £277k)*

  Before the new planning and procurement process was established the paper stocks ran too high approaching a key point in the cash cycle and steps were taken to support the cash position. These included selling a small amount of excess paper stock at a loss (£82k) and holding some stock at docks incurring additional charges (£64k);

- *New line temporary inefficiency £86k (FY18: £nil)*

  Additional commissioning cost incurred over and above normal expectations. Ongoing focus remains on this line to ensure that industry leading output is achieved;

- *Sub-standard paper write-offs £107k (FY18: £nil)*

  In its search for an improved selection of paper types and suppliers to support the new turnaround requirements, the Group trialled several new suppliers. Poor production quality from one delivery meant the stock did not meet the new business standards and was written off. The ongoing dispute with the supplier has not been resolved.

LEADING THE CHANGE IN THE SOFT TISSUE MARKET

Raising the standard by producing world class basics through a relentless drive to improve and innovate. We will deliver consistent quality, on time, every time.

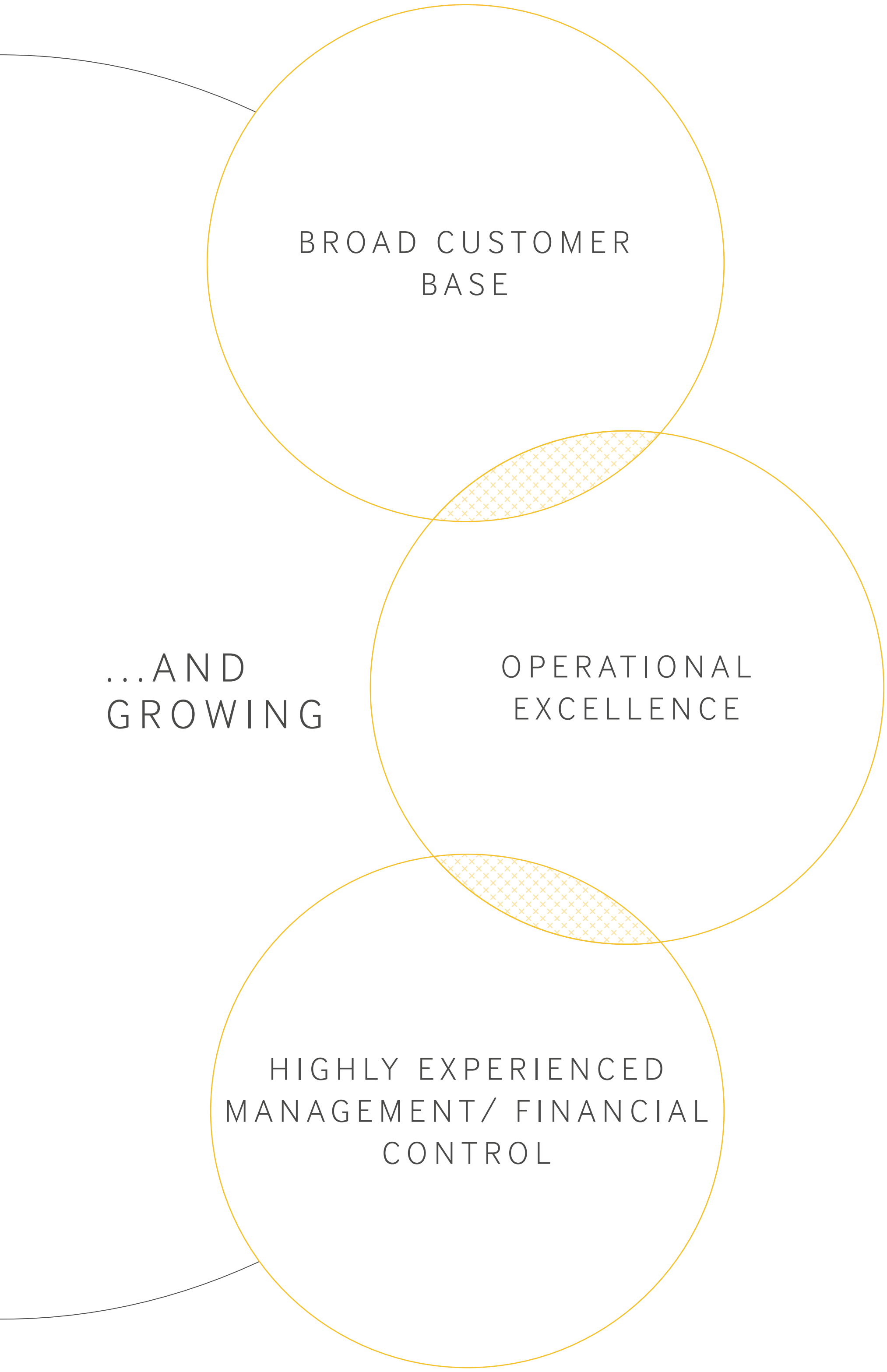
INVESTMENT CASE
THE MARKET

- Accrol is the market leader in the fastest growing segment of UK consumer soft tissue market, private label (also known as own label)
- The UK tissue market is worth £1.6bn* (retail sales) and is growing at 2.8%
- Private label sales represent 50%, up from 48% last year
- Market is growing by over 8% year on year and traditional big brands are declining by 2.5% year on year
- The UK soft tissue market is consolidating, improving the opportunity and returns for the strongest players

* IRI read data captured figures including toilet tissue, kitchen towel and facial tissue through UK till points. Kantar estimate the non read data capture market to be £0.2bn.

For more information go to our website and listen to Chairman Dan Wright talk about our investment case.

www.accrol.co.uk/our-business



INVESTMENT CASE
THE GROUP

- Accrol has an industry leading product range and a broad customer base – no one customer represents more than 21% of revenue
- Accrol has a keen understanding of consumer behaviour, enabling the Group to react quickly to, and capitalise on, changing trends
- The business has been fully restructured and is now well invested and operationally efficient with significant headroom for growth
- A relentless drive on operational efficiency and input cost management has created the strongest foundations on which to grow
- Accrol has a highly experienced and invested management team with a proven track record in transformational change, operational excellence and commercial leadership that delivers consistent levels of return
- The group is cash generative

For more information about our market turn to page 16

For more information about our people turn to page 18

For more information about our business model and strategy turn to page 20

Daniel Wright
Executive Chairman

MARKET OPPORTUNITY

The new Board and management team of Accrol delivered a complex and comprehensive turnaround plan in FY19, simplifying and strengthening the business to improve efficiency and optimise operational performance. Following the conclusion of this restructuring, I am pleased to say that I believe the business is more operationally efficient and fit for purpose than it has ever been.

By the end of the financial year, we achieved our stated objective to return the Group to monthly profitability and I am pleased to report that the reengineered business is showing resilience in the face of strengthening FX headwinds. The Group is beginning to secure enhanced credit terms from its key suppliers and capitalising on this initiative is a core element of our continued working capital management and improving debt profile.

The Group has delivered improving levels of monthly profitability since the year end. As such, we are on track to meet market expectations in FY20 and the Board is confident that the Group will exit FY20 at an accelerating monthly run rate.

Results

Revenue in the year ended 30 April 2019 was £119.1m, compared to £139.7m in the prior year, as the Group strategically exited the Away From Home market and other low margin contracts. On a like for like basis, however, FY19 revenue was broadly unchanged on the prior year. All other key earnings figures showed material improvement on the financial year ended 30 April 2018 ("FY18"). Loss at EBITDA level was reduced by £10.5m to a loss of £8.2m (FY18: loss of £18.7m) and the Group returned to profit at Adjusted EBITDA(1) level of £1.0m (FY18: loss of £5.8m). Loss Before Tax decreased by £10.1m to £14.0m (FY18: loss of £24.1m) and Adjusted Loss Before Tax(2) was £2.8m (FY18: loss of £9.1m). These significant improvements were achieved despite adverse headwinds in tissue prices and FX negatively impacting FY19 results by £10.8m.

Non-recurring costs, primarily associated with the turnaround process, 'Turnaround and operational costs', totalled £7.9m (FY18: £12.9m), due to the complex nature, speed and scale of the restructuring. Our balance sheet has stabilised, despite the significant level of expenditure on turnaround costs and investment in increased capacity, through a keen focus on working capital management, controlled investment and restored cash profitability. Net debt at 30 April 2019 was reduced by £6.7m to £27.1m (FY18: £33.8m).

This recovery would not have been possible without the support of shareholders, who funded a Placing and Open Offer raising £9.3m (net of expenses) in the early part of the financial year. The Group's bank also remained supportive throughout this difficult period. Their combined support enabled us to accelerate the turnaround programme, maintain the confidence of other key stakeholders and minimise the overall cost of recovery.

> Whilst the foundations of the Group have been successfully restructured, returning Accrol to its simple roots, and the business strengthened substantially in FY19, there is still much to do.

Simplify, strengthen and grow

The scale and pace of change implemented in the business in FY19 has been extraordinary. The simplification process to deliver optimal operational efficiency, presented our highly experienced turnaround team with unprecedented challenges. Multiple issues across every area of the business needed to be addressed simultaneously, adding significant cost and complexity. Our people throughout the organisation approached this task skilfully and relentlessly and I am very proud of their achievements. Their efforts have returned Accrol to the core capabilities on which its previous growth and success were built – commitment to customer service, emphasis on lowest-cost production and investment in product innovation.

Whilst the foundations of the Group have been successfully restructured, returning Accrol to its simple roots, and the business strengthened substantially in FY19, there is still much to do. The Group's exposure to foreign exchange and fluctuating tissue prices remains a challenge. We are focused on delivering continual improvement within the business to maximise its efficiency. Our primary focus in FY20 is to consolidate the progress we have made to date, strengthen the business and its systems further and capitalise on the increased capacity the restructuring has created to ensure we can deliver sustainable profitable growth and a good return to shareholders.

Our key areas of focus in FY20 are:

- Identification of options to add productive capacity;
- Adoption of normalised continuous improvement processes;
- Management of the foreign exchange challenge presented by Brexit;
- Execute on new and existing customer growth; and
- Implementation of the new IT system (as detailed in the CEO's review).

Our people

Our aim is to simplify, strengthen and grow the business and our people are key to us achieving that goal. During the financial year, we welcomed two new independent non-executive directors to the Board: Euan Hamilton in August 2018, an experienced international financier, and Simon Allport, a senior professional services adviser, in October 2018. Both have made a valuable contribution during the turnaround process. Joanne Lake resigned from the Board as a non-executive director in October 2018 and Steve Townsley resigned as Chief Financial Officer for health reasons in January 2019.

The senior management team was also strengthened considerably during the year. John Pilkington was appointed as Group Financial Controller and subsequently promoted to Group Finance Director. During the turmoil of the turnaround, John managed cash and costs with confidence and provided insightful challenge to the plans. Mark Dewhurst, who has a wealth of experience delivering operational excellence, joined from DS Smith, as Chief Operating Officer in September 2018 and, post year end, Graham Cox also joined from DS Smith, where he was most recently running US operations with 1,200 employees and revenues of £450m. With over 20 years' experience in running manufacturing businesses and transforming good ones into great ones, he will add enormously to the Accrol executive team. I believe we now have the best possible executive team in place to achieve sustainable profit growth.

TURNAROUND HIGHLIGHTS

- Complex and comprehensive turnaround has been delivered
- Net Debt down
- Adjusted EBITDA improved by £6.8m
- Headwinds of c.£10.8m managed

(1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, turnaround and operational costs and Share based payments, is a non-GAAP metric used by management and is not an IFRS disclosure.

(2) Adjusted loss before tax excludes amortisation, turnaround and operational costs and Share based payments, is a non-GAAP metric used by management and is not an IFRS disclosure.

I thank all my colleagues throughout Accrol for their commitment and unremitting hard work through what have been exceptionally turbulent times. The confidence of the organisation has been restored by the strong leadership of our new senior management team and its clear focus. I very much look forward to working with the whole team on the next stage of the Group's development.

Dividend

The Board is not proposing a final dividend for FY19. It remains the Board's intention to return to the dividend list at the earliest appropriate opportunity.

The business is cash generative. Coupling this with our ability to deliver quality products which satisfy consumer demand for best-value white label products, the Board has the confidence to expand capacity by approving the acquisition of a new line. This investment is expected to be funded through lease financing but we still expect net debt at 30 April 2020 to be marginally lower than at 30 April 2019, given expected levels of cash generation. The new line is scheduled to be commissioned in early 2020.

The macro environment continues to be challenging as Brexit dominates FX movement; sterling weakness

The Group's exposure to the thriving discount retail segment is stronger than it has ever been, and we are growing our presence amongst the major grocery retailers.

FCA investigation

As previously announced (RNS 6698N on 21 January 2019 and RNS 1694U on 24 March 2019), the FCA is investigating the period from 10 June 2016 to 30 September 2018. The Group continues to co-operate fully with this investigation and anticipates further expenditure on advisory services relating to this matter in FY20.

Outlook

The Group's exposure to the thriving discount retail segment is stronger than it has ever been, and we are growing our presence amongst the major grocery retailers. The consumer shift away from more expensive established brands to best value products is accelerating and the Group remains well positioned to capitalise on this trend. Our capabilities support our strategic brand-killer ambitions in the luxury private label tissue market and beyond.

As we move towards H2 FY20, our attention is focused on helping more customers deliver the best value for price paid on tissue products. Profitable growth is our priority, as we match production capacity to significant market demand and our stakeholders' growth expectations.

in particular. The benefits of the turnaround actions in creating a simple and more flexible and resilient business model, however, are now showing in the Group's financial performance, as the distraction and costs of that activity are removed. The management team now has the capacity to address the commercial challenges and opportunities presented, whilst continuing to deliver great customer service at the lowest cost. The strength of the customer relationships presents the best protection against the macro-economic headwinds for the business in the short to mid-term.

With the bulk of the turnaround completed, the Board is also able to explore opportunities to de-risk the Group's exposure to FX and volatility in tissue prices further, through diversification and a focus on securing long-term and committed supply sources.

Our confidence and ability to invest in new capacity reflects how far the business has progressed over the last 18 months, despite extremely challenging input cost headwinds. Although these headwinds are ongoing, the Group remains on track to meet market expectations in FY20 and the Board looks to the future with confidence.

Dan Wright
Executive Chairman

3 September 2019

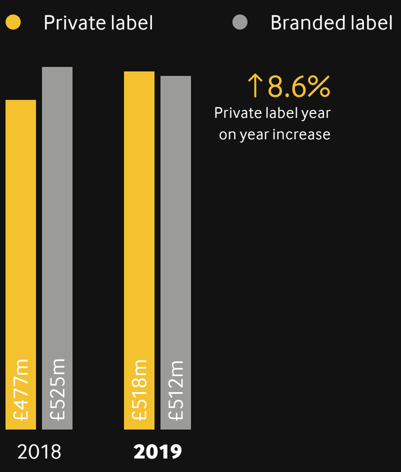

ZERO

STRONG POTENTIAL WITH A CONFIDENT MARKET SHARE

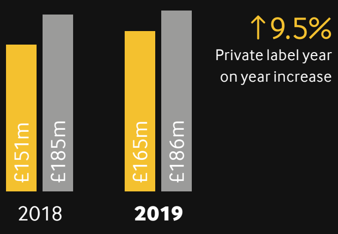
The UK soft tissue market is worth £1.6bn* with private label products comprising circa 50%. Accrol is the leading supplier to the private label market, which is growing at over 8% year on year.

AN UPWARD TREND

Great value is key and Accrol's private label range outperforms the brands in all trials for softness and performance. Providing that private label tissue products continue to offer the best value to the consumer, sales of the big brands will continue to decline.



Toilet tissue private label vs branded



Kitchen towel private label vs branded

Opportunity
Accrol is the largest independent supplier of private label toilet roll and kitchen towel in the UK, supplying three of the top four retailers and all the major discounters.

With the largest range of customers in the UK, Accrol is in a unique position to benefit from this ongoing change in consumer buying habits. This broad customer base also gives insight across all consumer purchasing channels, allowing the Group to monitor buying patterns and react quickly to changing consumer trends.

Innovation
Understanding the consumer is key. A good example of Accrol's ability to react to market demand is the launch of the new "Oceans" plastic free range. Accrol is the first tissue converter to offer a completely plastic free tissue product.

The Group has teamed up with the Marine Conservation Society to offer proven products, in plastic free packaging, giving the consumer choice. The product is priced at a level between private label and branded products, ensuring that the consumer is still able to save money whilst making a more environmentally friendly choice.

* IRI read data captured figures including toilet tissue, kitchen towel and facial tissue through UK till points. Kantar estimate the non read data capture market to be £0.2bn.

Total UK soft tissue market

£1.58BN ↑2.8%

(2018: £1.54bn)

AN EXPERIENCED AND DYNAMIC TEAM

We ask every individual to do one thing better every day, empowering them through clear communication, personal development opportunities and strong ethical business values.

Our people are at the core of our business
People have been at the centre of the changes during the turnaround. Staff numbers have been reduced by around 43%, as the business has been simplified and processes automated with a substantial and extensive retraining programme carried out to increase the skill levels of the remaining workforce. We have also made significant changes to the senior management team, which began with the appointment of Mark Dewhurst as Chief Operating Officer and was recently completed following the appointment of Graham Cox as Commercial Director.

The new senior management team draws on highly experienced individuals who have joined from some of the industry's leading players, such as DS Smith the FTSE 100 packaging company.

Employing the best people is a key point in our three point strategy and through the training programme and a focus on employee engagement, every person in the business understands the vital role they play in delivering customer and consumer value.

In our most recent Employee Engagement survey 95% said they knew what was expected of them at work and almost 90% saying they were proud to work for Accrol.

95%

of employees said they knew what was expected of them at work

88%

of employees said they were proud to work for Accrol

→ See chart opposite for further results

"I help Accrol turn our vision into reality in terms of our people, our equipment and our product offering."

Mark Dewhurst
Chief Operating Officer

Role:
Leading our operational excellence a medium to long term basis ensuring we maximise our capacity and invest to deliver the best possible returns.

Previous experience
- Ten years at DS Smith as UK and Northern Europe Operations Director
- Ten years with Crown Packaging in senior Operational and Commercial roles
- Extensive operational leadership driving manufacturing excellence across multiple businesses
- An inspirational leader of people and businesses, who understand the complexity of driving strategy throughout organisations at every level
- A hands on leader who has delivered significant EBITDA improvements over the last six years

Q. How do you keep making improvements and how much further do you think you can take the business?

A. The key differentiator in our business is our employees. If they understand the vision and truly feel they are contributing towards achieving it, they will be aligned, have clarity of what is expected of them and be motivated to succeed. The potential of our people is infinite, so the potential for our business is also infinite.

We are relentless about operational improvement, eliminating waste and reducing costs and we want every employee to have a voice and be confident to use it. Our business has come a long way during the last year, and we are now in a much stronger position financially and organisationally. We have a strong leadership team in place working to a clear strategic plan. Our business model allows us to make decisions quickly and execute these plans with pace, creating huge potential for growth and change. Our customers guide our direction of travel and we listen intently to what they need now and in the future.

We have several major projects underway which will continue to transform Accrol, and I am looking forward to an open and bright future.

"I am passionate about maximising the potential of our people to deliver profitable growth through setting aspiration targets in both operational and commercial excellence."

Graham Cox
Commercial Director

Role:
Day-to-day running of the business, driving change daily, whilst introducing world class commercial practices.

Previous experience
- 24 years at DS Smith PLC covering sales, commercial and operations. Last two years as Managing Director, North America Packaging Division
- Previous three years as Sector Director UK Packaging
- Extensive experience in delivering industry leading levels of return, personally leading commercia programmer delivering significant margin improvements
- Delivered industry leading EBITDA growth over the last six years

Q. How do you maintain consistent performance?

A. Through operational excellence.

Our business and our teams are focused on 'World Class Basics'. They are engaged across all departments and locations and the processes are aligned and we share best practice, so we work together in a consistent way.

Achieving that excellence starts with an effective sales and operating process that links customers' sales forecasts with our operational capacity. During manufacturing, performance is managed through short interval control processes and robust asset care and preventative maintenance programmes, which enable a higher level of uptime and reliability, ensuring we meet our customers' expectations every time.

Underpinning this is a relentless focus on cost control and building higher levels of commercial acumen within the Accrol team. Communication also plays an important role, setting clear targets and providing updates so people can not only see how they are performing internally but also how we are performing with our customers. This closes the loop on performance and allows everyone in the Accrol team to see the part they have all played in our success.

"Engagement across the workforce has significantly improved following the turnaround and I am looking forward to seeing that trend continue."

Kathryn Robinson
Head of Human Resources

Role:
Employee engagement, ensuring every individual has the best opportunity to deliver on their potential and ensuring we have the best people at every level in our organisation.

Previous experience

- 11 years spent in private label manufacturing supplying the UK Grocery Sector
- Nine years BBF Ltd (previously McCambridge Group)
- Four and two years at Sodexo Healthcare and Alfred McAlpine respectively

Q. What's the engagement like now, following the turnaround?

A. The foundations of engagement have been laid and are gathering momentum. There is a renewed buzz of positivity amongst the workforce; they can see and feel the changes that have been made and are passionate about getting involved in further improving the business.

Following the reorganisation of teams, colleagues are now developing a sense of belonging. They understand how they personally contribute to the success of the business. They feel valued as part of a team and cared about as individuals.

Our employee committees are providing meaningful two-way communication channels and demonstrating the value of feedback, challenge and transparency.

Inclusion has improved across the business which is testament to the culture change that has been delivered as part of the turnaround. In our recent engagement survey, colleagues identified Accrol as an employer who embraces equal opportunities and diversity; we are proud to have a truly diverse workforce.

Our next stage in developing engagement will be to empower individuals to reach their potential, strengthening and broadening the capability of the workforce.

"With the tough job of turnaround behind us, I look forward to championing the continuous improvement culture."

John Pilkington
Group Finance Director

Role:
Finance and IT development giving the organisation the information to make sound judgements across all areas.

Previous experience

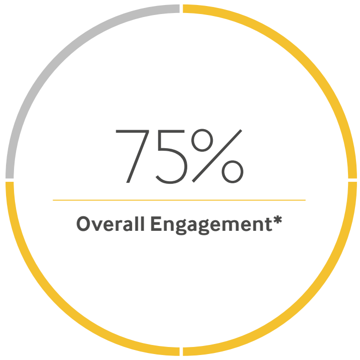
- ACA, trained at KPMG
- 14 years at technology company Promethean
- Has led teams through complex and challenging reporting environments giving clarity to the key drivers of a manufacturing business
- Supported operational leaders through transformational change, to make good commercial decisions at a rapid pace
- An excellent understanding of the business and great fit with the team

Q. How much of a difference to the business will the new IT system make and when will it be fully implemented (and how much will it cost)?

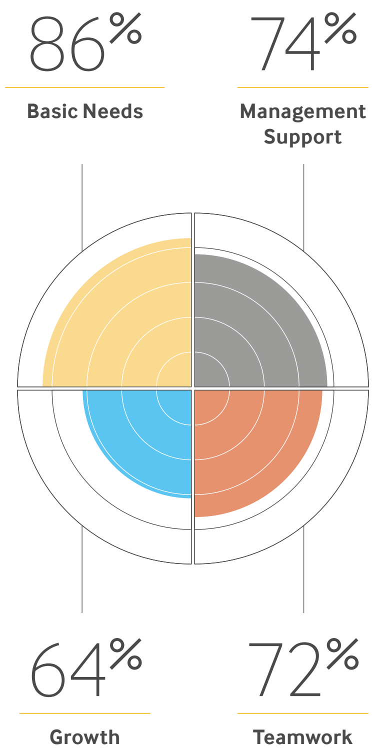
A. The new IT system will be implemented in December 2019. It will bring valuable new controls and remove a number of manual processes, all supporting our aim of being lowest cost producer. With less time spent across the business gathering the numbers, more time can be spent developing people and processes to continuously improve our business and operational efficiency. In addition, the management information improvements will help us make better commercial decisions to drive business profitability and support customer service targets all of which will underpin future profitable growth.

The new system is cloud based, cost effective and scalable and we would expect to incur around £250k of implementation costs.

ENGAGING WITH OUR PEOPLE



How we performed
The engagement survey covered four main areas: **Basic needs** , which focused on employees having what they need to fulfil their roles; **Management support**, which looked at how supported employees were; **Growth**, what opportunities employees feel there is for personal growth within the Group; and **Teamwork**, looked at working to a clear common goal.



* We measure employee engagement as the average positive responses to the whole survey.

STRIVING TO BE THE LEADER IN THE INDUSTRY

Our three point strategy enables us to ensure successful delivery of our business model to our customers, consumers and stakeholders.

OUR BUSINESS MODEL

Our business model is simple, we employ the best people and train them to be focused on operational efficiency. This enables us to reduce our cost base and improve the product offering to our customers. This in turn helps to increase our revenue as our customers want to buy more from us; ultimately increasing our returns to shareholders.

THE RIGHT PEOPLE

+

- Engaged and highly skilled workforce
- Relentless focus on operational efficiency
- Always delivering the best product to the customer

STRONG CUSTOMER RELATIONSHIPS

=

- Deliver a great value product
- Offer excellent customer service
- Always seeking to enhance the product offer
- Increase customer spend

GREATER SHAREHOLDER RETURNS

- Increased revenue
- Reduced cost
- Increased profits
- Cash generated

OUR STRATEGY IN ACTION

OUR STRATEGY IN ACTION	WHAT WE'VE DONE	WHAT THIS MEANS
EMPLOY THE BEST PEOPLE	Strengthened the senior management. John Pilkington appointed as Group Financial Controller and subsequently promoted to Group Finance Director. Mark Dewhurst, who has a wealth of experience delivering operational excellence, joined from DS Smith, as Chief Operating Officer in September 2018 and, post year end, Graham Cox also joined from DS Smith, where he was most recently running US operations with 1,200 employees and revenues of £450m. With over 20 years' experience in running manufacturing businesses and transforming good ones into great ones.	Our people are key to ensuring the business delivers the best possible product and customer service. They are at the heart of the Group's relentless focus on operational efficiency and we now have the best possible executive team in place to achieve sustainable profit growth Hear what the new team has to say on pages 18 to 19
FOCUS AND INVEST IN OPERATIONAL EFFICIENCY	Complete overhaul of the operations – putting simplification at its heart. We have invested significantly in training and machinery to improve efficiency and capacity. We now look forward to the opportunities created by the implementation of a new IT system at the end of 2019. The access to new data, which this system will provide, will allow us to make continual day to day improvements to efficiency throughout the business. We are also investing in a further tissue line, which is expected to be commissioned in early 2020.	Administrative costs were reduced by £14m to £19m and distribution costs by 25% to £11m. This lower cost base ensures the business can operate profitably as the lowest cost provider of tissue products in the UK and has a strong platform for delivering other products as the market demands. Simplification has helped to increase capacity, which has also been strengthened through the capital investment.
DELIVER THE BEST VALUE PRODUCT	Ensuring the appropriate supply of paper was a key project in FY19 and remains a key area of focus. Sourcing quality product at a competitive price on a just in time basis allows us to improve operational efficiency and working capital. Maximising reel size helps us manage set up times and waste. Improved processes ensure we meet our on time in full (OTIF) promise. Increasing our tissue choices means our customers are the first to benefit from the latest paper technologies.	Despite the immense operational upheaval caused by the turnaround, we managed to grow sales of toilet tissue and delivered strong growth amongst our top customers. This is testament to our absolute commitment to provide consistent top-quality service, operate flexibly and to innovate as customers demand.

Gareth Jenkins
Chief Executive Officer

RELENTLESS IMPROVEMENT

The restructuring we have undertaken at Accrol over the past 18 months has been intense and challenging. I have led many turnaround situations but not one has been as complex or required such comprehensive action across all elements simultaneously, as this one. It is satisfying to report that the Group is on stronger footings than it has ever been, and we now have solid base on which to create sustainable growth.

Most importantly, throughout this difficult and distracting period, we managed to maintain and develop the Group's strong position with all the major discounter retailers, whilst also attracting new relationships with some major grocery retailers ("multiples") for the supply of private label toilet roll, kitchen towel and facial tissues.

turnaround plan. I am pleased to say that this plan has gone extremely well, despite tissue price and foreign exchange headwinds of £10.8m. All the remedial projects we have undertaken have been completed, other than a new IT system, which is on budget and scheduled to go live later in the calendar year. Our customer service and output remain strong. With a much-reduced and simplified cost base and free of the distractions of turnaround, we are well positioned to capitalise on the profitable opportunities arising from the accelerating consumer shift towards value and away from major, well-known tissue brands.

As a business, Accrol is dedicated to being the lowest cost tissue converter and an innovator, employing the best people, that delivers market leading value for

> The last 18 months at Accrol has been some of the most intense and challenging periods of my career, but we now have a platform we can build upon. This is now a good business we can make great.

The return to an acceptable level of profit on a monthly basis by year end and the improving margins thereafter reflect the outstanding achievements of our team in managing out unnecessary complexities and layers of cost in the business, without losing focus on our customers.

During this year of phenomenal remedial activity, in which no area of the Group was left untouched, we incurred £7.9m of turnaround and operational costs. These related to waste, wages, consultancy and legal costs. This level of spend was necessary to effect change in all areas in a concentrated period, whilst protecting customer service and cash. Adjusting for this at EBITDA, a key performance measure for the Group, is necessary to gain a true understanding of the Group's underlying trading performance in FY19. In addition, we have seen a pleasing progression in gross margin and EBITDA over the period.

Strategy

Following the strategic review announced in October 2017, we have endeavoured to return the Group to its core strengths – a simple business with low operational costs and great customer service. This has required considerable re-engineering; the

consumers. Our challenge, as we move into the next phase of the Group's development, is to ensure that manufacturing capacity is in place to support our aim to be the leading supplier of tissue-based products.

Market overview

The decline of branded toilet roll share through the major multiples and discount market continues. Over the last 12 months, the leading branded player has reported increase in sales of 3.5% year on year mainly due to aggressive promotional activity (source IRI 24 February 2019), however the branded sector overall remains in decline. Discount and own branded products, however, have enjoyed a continuing increase in sales of 8.6% in toilet tissue. Own label sales now make up 50% of the toilet roll/tissue market, compared to 48% in February 2018. This trend represents a massive opportunity for the Group. I am pleased to report that our own sales in toilet tissue in the same period outperformed the market, growing by 12%, on top of 12% in FY18.

Customers

Despite the immense operational upheaval, we managed to grow sales of toilet tissue, our core product, and produced strong growth amongst our top customers. This is testament to our absolute commitment to provide consistent top-quality service, operate flexibly and innovate as customers demand. Whilst we lost customers with the closure of our Away From Home business, the Group retains a broad base of customers with reach across the whole consumer base. This gives us valuable market insight across all consumer buying channels and ensures our products always meet the consumer's, and therefore the customer's, needs.

Despite the turnaround activity, we set ambitious revenue targets and I am pleased to say that our exit run rate was in line with the management's expectations, supported by several key wins, including:

- Core toilet roll range for a major, top four, grocery retailer from October 2018;
- Two new regions and the introduction of a luxury range to a major leading discounter; and
- Three new regions for another major leading discounter.

The Group continues to develop longer-term supply agreements with appropriate commercial terms to underpin investment in machinery and people to deliver capacity growth.

Pricing remains a sensitive issue with our customers and, whilst we strive to be the lowest cost producer, FX headwinds continue to be significant. In line with many other suppliers in our sector, we will need to address pricing if the pound settles at its current level.

Suppliers

Ensuring the appropriate supply of paper for Accrol was a key project in FY19 and remains a key area of focus as we seek to strengthen the business further. Sourcing quality product at a competitive price on a just in time basis allows us to improve operational efficiency and working capital. Maximising reel size helps us manage set up times and waste. Increasing our tissue choices will ensure that our customers are the first to benefit from the latest paper technologies and specifications give us flexibility to maintain our competitive advantage. Each element needs careful consideration along with reliability of supplier manufacture and delivery.

OPERATIONAL HIGHLIGHTS

Output per head ↑

64%

Non material costs down ↓

£13.8M

Toilet tissue revenue ↑

12%

Adjusted gross margin ↑

18.2%

- Headcount has been reduced by c43% since July 2017 despite an increase in volumes
- Simplification is relentless with SKUs down 74% and tissue types down 73%
- The implementation of an Oracle based system is underway and this is expected to be implemented by FY20

For more of our key performance indicators turn to pages 26 and 27

Over the last 18 months, we have developed a much stronger paper supply base and our suppliers have been supportive throughout. We continue to explore all opportunities to optimise this critical part of our business model.

Across the general supply base, we continue to review our needs and rationalise the number of supply partners we use. Credit facilities have already improved but remain a challenge for the Group. We anticipate further progress towards more normal terms, as the Group's financial results improve; though none is built into our budgets.

Operations

Fundamental to the turnaround was the complete overhaul of the whole operation – putting simplification at its heart. This has been delivered across all elements during the year. These vital changes have come at a significant one off cost, but we now have a business that can operate profitably as the lowest cost provider of tissue products in the UK, as well as a strong platform for delivering other products as the market demands.

Our challenge now is to reinforce what has already been achieved so far by the excellent teams of high performing individuals throughout the organisation. We have invested significantly in training and machinery in FY19. Whilst new working practices have been successfully embedded, we will continue to invest to achieve further cost savings and capacity increases; both necessary for the future success of the business.

We are looking forward to the opportunities created by the implementation of a new IT system at the end of 2019. The access to new data, which this system will provide, will allow us to make continual day-to-day improvements to efficiency throughout the business. We will seek to improve the level of management information systems as the business grows.

The business continues to grow across all its major customers, and the Board has approved, in principle, investment in a further tissue line, which is expected to be operational by early 2020. Not only will this line provide much needed additional capacity, it is the latest proven technology and will enable further operational costs savings for the business as we strive to make Accrol the lowest cost producer in the UK. This investment will be supported by further simple automation across all major lines.

People and culture

The goodwill, initiative and resilience of our people has been extraordinary throughout the whole restructuring process. No role was unaffected by the scale and breadth of the changes and many of our people were asked to perform dual or multiple roles during the year. We required short-term expert advice at certain stages and asked consultants to work alongside our own team, as processes were developed or adjusted. As the structure evolved, new roles were created; sometimes these were filled internally but, where necessary, we sourced talented people externally who have been welcomed into the Group. Despite the changes, our positive culture has prevailed, as evidenced by an encouraging first engagement survey, achieving a 75% overall positive response rate.

Health and safety

Accrol takes the health and safety of its employees very seriously; from employee induction through to the reporting and discussion each month at the Board meeting. Our audit feedback from the HSE and customers has been excellent throughout the year and we continue to look for improvements.

During the year under review, we had five Lost Time Accidents, a reduction of 30% on the prior year. The All Accidents rate was 48% lower and near miss incidents were reduced by 15% year on year.

Outlook

The heavy lifting of the turnaround is now behind us and the ongoing challenge of maintaining consistent delivery of low cost, quality product to our customers remains. We are now able to instil continuous improvement disciplines into an operation that is fit for purpose.

As the new financial year progresses, we will continue to be innovative in our approach to winning new business and take steps to bring our low cost, high service brand-killer approach to different products and markets.

We keep a watchful eye on the strength of the pound and will take the steps necessary to mitigate the risks of continued currency weakness, but that should not distract us from profitably meeting our customers' needs. The business has now been reset. There is a huge opportunity for the Group in the rapidly growing personal hygiene value market and, whilst there is more to do, the Board has real confidence that the foundations have been laid for a successful future.

Gareth Jenkins
Chief Executive Officer

3 September 2019

BRAND-KILLERS

Our vision is to deliver the best possible value to the UK consumer on essential everyday tissue products and we are shaking up traditional tissue brands by delivering the quality the consumer wants for the price they want to pay.

24%

Our Private Label Market Share and Growing

The change in consumer buying patterns is evidenced by the continued decline of branded products (see page 16). The change is being driven by suppliers, like us, producing the best quality for the price point paid through improved technology, material buying and operational excellence.

We are leading this change through our relentless focus on operational efficiency and a drive to improve and innovate; ultimately delivering real value to consumers on everyday essentials.

COMMITTED TO SUPERIOR PERFORMANCE

We measure our performance against the business model to ensure we are delivering to our key stakeholders.

OUR BUSINESS MODEL

HOW WE MEASURE PERFORMANCE

Our values (see pages 2 to 3) are at the core of what we do, by engaging our people at all levels so they understand clearly the role they play in making the business better every day.

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

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

We do this by:
- Bringing new innovations to the industry which give best value, informed by our broad customer base
- Delivering on our commitments

We aim to deliver strong shareholder returns by growing our market share, investing in operational excellence and being relentless in our cost control.

We do this by:
- Growing with our customers
- Building on the platform created by the turnaround
- Seeking new opportunities to extend our offer

5

Lost time accidents (LTA)
The number of accidents where an employee has missed more than one shift of work.

Comments:
This is a reduction of 30% on the prior year. The All Accidents (regardless of severity) rate was 48% lower and near miss incidents (no actual accident) were reduced by 15% year on year. The target is always 0 and provides a key measure for the effectiveness of employee engagement with health and safety and evidence that training is working.

75%

Employee engagement
The measure as determined by the Employee Engagement Survey which is conducted every September (see page 19).

Comments:
Following the turnaround employee engagement has been high as training and development initiatives come to fruition. We will run the survey again in 2019 and establish longer term targets at that point.

64%

Increase in output per head
Pallets per head per month produced: Q4 FY19 v Full Year FY18.

Comments:
The FY20 target is 10%. Our focus on efficiency improvement is relentless.

96%

On time delivery
Percentage of deliveries that are delivered on time over a calendar month.

Comments:
Our internal targets are higher than our customers' targets thereby ensuring we always overdeliver on our promises.

12%

Toilet Tissue growth
Full year sales of Toilet Tissue products to retailers/discounters.

Comments:
Toilet Tissue is the foundation of our relationship with customers and represents over 70% of our revenue.

22%

Growth in sales to top customers
Growth in sales of all product into our top six customers. None of our customers account for more than 21% of total revenue.

Comments:
We sell to a broad concentration of customers, each of whom is important to us. We are able to spend more time servicing and understanding our customers to help them grow and drive the best value products to the consumer.

£6.7M ↓20%

Net debt
Total borrowings less cash reserves.

Comments:
This guides our decision making on use of the cash generated from operations.

£1.0M ↑£6.8M

Adjusted EBITDA
Adjusted to exclude turnaround and exceptional costs.

Comments:
We believe that this measure is a truer indication of the Group's underlying trading performance. It is particularly relevant given the significant cost of effecting the turnaround.

18.2% ↑0.7ppt

Adjusted gross margin
Adjusted to exclude the turnaround costs.

Comments:
We have an internal target of 23% and growth continued in the first quarter of FY20.

John Pilkington
Group Finance Director

FOUNDATIONS FOR GROWTH

A. Income Statement

	2019 £'000	2018 £'000
Revenue	**119,111**	139,738
Cost of sales	**(101,559)**	(115,232)
Gross profit	**17,552**	24,506
Administration expenses	**(19,228)**	(33,177)
Distribution costs	**(11,066)**	(14,685)
Operating loss	**(12,742)**	(23,356)
Finance costs	**(1,276)**	(713)
Loss before tax	**(14,018)**	(24,069)
Tax credit	**2,270**	4,106
Loss for the year attributable to equity shareholders	**(11,748)**	(19,963)
Loss per share		
Basic	**(6.2)p**	(18.7)p
Diluted	**(6.2)p**	(18.7)p
Operating loss	**(12,742)**	(23,356)
Adjusted for:		
Depreciation	**2,488**	2,612
Amortisation	**2,040**	2,041
Share based payment	**1,316**	–
Turnaround and operational costs	**7,906**	12,879
Adjusted EBITDA(1)	**1,008**	(5,824)

B. Revenue by product

	2019 £m	2018 £m	Variance £m	Variance %
Toilet tissue	**84.8**	75.8	9.0	12
Kitchen towel	**22.0**	28.2	(6.2)	(22)
Facial tissue	**9.9**	11.3	(1.4)	(12)
Core revenue	**116.7**	115.3	1.4	1
AFH	**1.5**	22.8	(21.3)	(93)
Other	**0.9**	1.6	(0.7)	(44)
Total revenue	**119.1**	139.7	(20.6)	(15)

Summary

I am pleased to report that, in this very challenging year, we were able to reduce operating losses by £10.6m; return to profit at adjusted EBITDA level; reduce net debt by £6.7m; and increase our market share in our core toilet tissue market with revenues in this segment rising by 12%. All this was achieved despite the significant disruption experienced as the turnaround gathered momentum and following a 15% reduction in overall revenues resulting from the Group's exit from the Away from Home ("AFH") sector and other low margin contracts.

Operating loss narrowed from £23.4m to £12.7m, as the Group began to benefit from the remedial action taken over the prior 18 months.

During the financial year, we raised £9.3m in a Placing and Open Offer, re-negotiated our bank covenants and met the scheduled bank loan repayments of £3.0m.

Further details can be found in table A (above).

Revenue

Group revenue reduced by £20.6m (15%), compared with FY18, mainly due to the exit from the AFH business and other low margin contracts. Sales of our core toilet tissue products increased by 12% to £84.8m from £75.8m in FY18, driven by the continued market share growth of the discount retailers, introduction of Accrol product into a greater store footprint and the introduction of product to a major retailer. The private label market continues to grow at over 8% per year.

Further details can be found in table B (above).

Gross margin

Gross margin reduced to 14.7% from 17.5% as the Group was impacted by higher parent reel prices, the weaker pound and the incremental cost of materials waste resulting from multiple turnaround projects.

Waste levels started to return to a more acceptable level by the end of the year, as the workforce stabilised and improved training and simplified and standardised operating procedures began to have a positive impact. Parent reel prices also stabilised during FY19 and the exit rate prices present an encouraging outlook. The weakening pound, however, remains a concern.

Administration costs

Administration costs were reduced by £14.0m to £19.2m in FY19 (FY18: £33.2m). Much of the decrease is explained by a reduction in charges relating to turnaround and operational costs; this explains £8.6m of which the reduction of FX losses is the biggest single contributor at £4.4m. At an underlying level the Group benefits from the exit of Skelmersdale, a reduction in salary costs, and the level of machine repairs following the accelerated machine upgrade programme. Further improvement in administration costs will come from the implementation of the new IT system.

Distribution costs

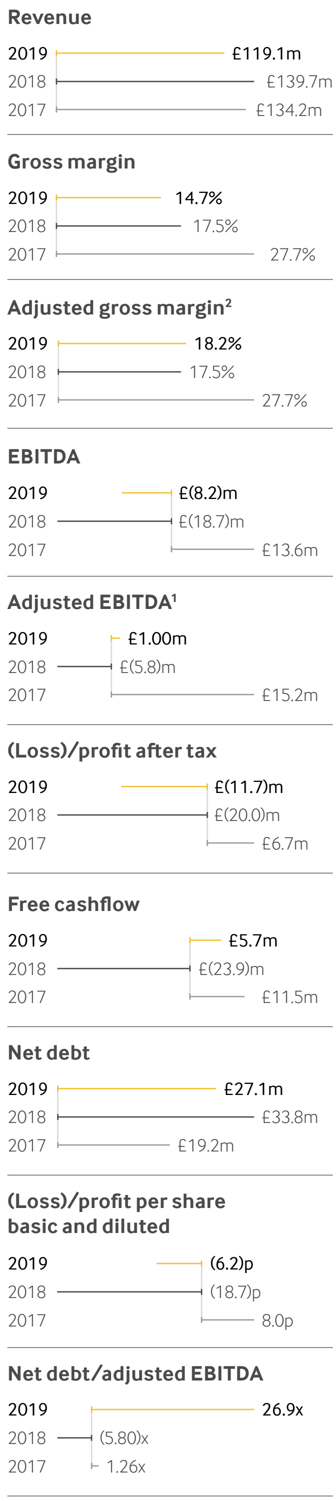
Distribution costs were reduced by £3.6m (FY18: £14.7m) a drop of 25% YoY. This reduction is greater than the 15% fall reported in revenue, as the closure of our Skelmersdale distribution facility removed shunting costs and the Group benefited from operational efficiencies created by its exit from AFH.

Turnaround and operational costs

The turnaround process in FY19 touched all parts of the Group and many projects were run in parallel to effect change at the fastest possible pace to protect trading losses and cash consumption. These costs were all directly associated with the turnaround process and not reflective of the level of costs incurred under normal trading circumstances. In the view of the Board, the Adjusted EBITDA figure is more representative of the underlying return from business traded in FY19. Full details are disclosed on pages 4 to 9 and in Note 6.

The turnaround activity is now largely concluded and turnaround and operational costs are expected to be c.£0.5m in FY20. We do anticipate that further exceptional costs will be incurred in FY20 to support the ongoing FCA investigation. Total exceptional costs in FY20, including costs associated with FCA investigation, are expected to reduce to c.£1.0m (FY19: £7.9m).

FINANCIAL HIGHLIGHTS



(1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, turnaround and operational costs and Share based payments, is a non-GAAP metric used by management and is not an IFRS disclosure.

(2) Adjusted gross margin excludes turnaround and operational costs.

Finance costs
Finance costs increased by £0.6m to £1.3m in the year under review, reflecting the borrowings to finance the new production line, with a further £0.2m of the increase related to non-cash items, principally the amortisation of finance fees.

Taxation
The Group recorded a deferred tax credit of £2.3m in the year. We also received a corporation tax refund of £2.0m in the year relating to a prior year tax payment.

Balance sheet
Property, plant and equipment
During the year, a third production line was commissioned at Leyland at a cost of £5.0m, funded in part by finance lease. Further investments made in the year include a major machine upgrade programme, to improve capacity and long-term performance, the addition of racking to the warehouse, ahead of the move out of Skelmersdale, and infrastructure improvements to the Accrol estate.

The AFH lines impaired in the prior year were sold, incurring a loss of £0.1m. There were no further asset impairments with all remaining lines contributing to output. Whilst we have created additional production capacity in the year under review through efficiencies and investment in a new line at Leyland, a further new line has been approved by the Board to support anticipated growth. This is expected to be operational in early 2020.

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

Working Capital

Both raw material stocks and finished goods stock reduced over the year as new planning and procurement processes were adopted. In addition, there was a one-off benefit from selling through the remaining AFH stock. There remains some opportunity to reduce stock further, as the new IT system is expected to bring improved levels of management information, but future gains in this area are expected to be marginal.

The decrease in receivables reflects the rationalised customer base following the AFH exit. Our customers have paid promptly throughout the year and we have experienced very low levels of default.

The increase in the trade payables figure is due to a growing level of confidence amongst our supplier base, which is leading to improvements in credit terms offered.

Further details can be found in table C (right).

Borrowings and cashflow

The Group achieved a substantial improvement in net debt over the year. The new funds from shareholders supported the turnaround project, whilst tight working capital management and a return to cash generative trading had a positive impact.

The refinancing activity in the first half of the financial year raised £9.3m (net of expenses) through a Placing and Open Offer. This was supported by the re-setting of bank covenants that maintained the revolving credit facility and the invoice discounting facility.

There was a £3.7m cash inflow from operations in the year (FY18: cash outflow of £23.1m), due largely to the improved trading performance and management of working capital. At the year end, cash balances were £2.2m (FY18: £0.4m) with a further £1.2m available through the invoice discounting line. The Board remains committed to generating cash from operations and reducing net debt.

Further details can be found in table D (right).

Accounting Standards

The Group had adopted new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts from Customers during the year, the impact of which was not material. IFRS 16 Leases will be adopted from May 2019.

John Pilkington
Group Finance Director

3 September 2019

The Group achieved a substantial improvement in net debt over the year. The new funds from shareholders supported the turnaround project, whilst tight working capital management and a return to cash generative trading had a positive impact.

C. Working Capital

	2019 £'000	2018 £'000	Change £'000
Inventories	**11.2**	14.1	(2.9)
Trade and other receivables	**23.1**	30.0	(6.9)
Trade and other payables	**(16.0)**	(13.9)	(2.1)
	18.3	30.2	(11.9)

D. Borrowings and cashflow

	2019 £'000	2018 £'000	Change £'000
Bank loan facility	**12.0**	15.0	(3.0)
Finance leases	**3.6**	0.5	3.1
Factoring facility	**13.7**	18.7	(5.0)
Borrowings	**29.3**	34.2	(4.9)
Cash and cash equivalents	**(2.2)**	(0.4)	(1.8)
Net debt	**27.1**	33.8	(6.7)

AN ACTIVE APPROACH TO RISKS AND MITIGATION

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

We use our risk management process as described to identify, monitor, evaluate and escalate risks as they emerge, enabling management to take appropriate action wherever possible in order to control them and also enabling the Board to keep risk management under review. The risk factors addressed below are those which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cashflow 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.

Change in risk post mitigation

Increase | No change | Decrease

Principal risk	Impact	Mitigation	Change
The loss of a major customer. Likelihood: Medium	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 identify further opportunities. • Ensure customer service levels are high and we respond rapidly to any shortcomings. • Continuously monitor the market for opportunities to open up new customers. • We encourage customer audit and respond to the feedback. • Maintain diversification across a broad customer base.	Strong relationships maintained with Top 6 customers despite challenges of turnaround. Decrease
Parent Reel and pulp capacity and pricing. Likelihood: Medium	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 favourable 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. • Pass on significant changes to customers.	Many changes through the year, but procurement now stable. No change
New entrant into market. Likelihood: Low	A new entrant into the market creating extra capacity and competition.	• Ensure that Group remains cost competitive, listens to customer requirements and delivers best value.	High entry barrier maintained despite challenges of turnaround. No change
Winning a large customer contract. Likelihood: Medium	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 existing capacity by careful scheduling and enhanced training to create spare capacity from existing lines. • Continuously search for low level capital investments to enhance the operation of existing lines.	Training and investment has delivered 64% increase in output and facilitated a significant new customer. Decrease
Volatility of foreign exchange rates. Likelihood: High	The majority of our Parent Reel purchases are in US$. Fluctuations in the exchange rates could adversely affect input costs and hence profitability.	• Review and adhere to our foreign exchange policy. • Monitor short term purchasing forecasts to ensure appropriate exposure to risk. • Look for opportunity to source across multiple currencies. • Recognise that a significant adverse weakening of Sterling will impact the entire market with a market price increase most likely required.	Whilst the macro conditions have worsened over the year, management of risk has improved. No change

Principal risk	Impact	Mitigation	Change
The Group relies on IT systems in its day to day operations. Likelihood: High	Disruption in critical IT systems would have a significant adverse impact on production and important business processes.	• Manage an upgrade plan to ensure hardware is fit for purpose. • Seek opportunities to upgrade or de-risk software systems. • Ensure critical business continuity plans and disaster recovery contingencies are in place. • Maintain a clear IT policy to ensure users do not put the operation at risk.	Work on replacement system ongoing.
Key person dependency. Likelihood: Low	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 longer term incentives; • Establishment of employee engagement techniques to re-enforce their commitment to the Company; and • An annual performance review process.	New management structure created and employee engagement relaunched.
Failure to adhere to regulatory requirements such as taxation, the Data Protection Act, Health and Safety and Fire safety regulations in particular. Likelihood: Medium	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 and Safety regulations could result in fines, litigation and reputational damage.	• 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. • Ensure Group have robust operational policies, procedures, risk assessments and contingencies around fire safety regulations. • Update and test the Disaster Recovery Plan annually. • Work with our insurers to understand physical or procedural mitigation strategies to reduce the likelihood or scope of an incident.	Improvement plan agreed with insurers. Excellent results from 3rd party audits.
Failure to meet bank covenants and loss of facility. Likelihood: Low	The Group is dependent upon its Revolving Credit Facility and Invoice Discounting Facility provided by the bank, without which it would be unable to meet its payment obligations.	• Careful management of profit and cash with regular reforecasts to ensure actions are taken at the earliest moment to ensure hurdles are cleared. • Regular dialogue with the bank to explain company performance and the risks and opportunities of short to mid term trading.	As stability returns post turnaround, performance is improving and forecasting becomes more straightforward.

AN ACTIVE APPROACH TO LEADERSHIP AND MANAGEMENT

Dear Shareholder
I am pleased to introduce the Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2019. This report includes the Board structure, an introduction to the members of the Accrol Board and the Corporate Governance Statement.

The Directors place a significant emphasis on ensuring that Accrol has the appropriate governance structures in place. As part of the turnaround there has been a strengthening of the Board structures and increased rigour in reporting.

Following a root and branch reorganisation of Executive and Non-Executive positions we welcomed two new independent non-executive directors to the Board during the year: Euan Hamilton (August 2018), an experienced international financier, and Simon Allport, a senior professional services adviser, in October 2018. Both have made a valuable contribution during the turnaround process. Joanne Lake resigned from the Board as a non-executive director in October 2018 and Steve Townsley resigned as Group Financial Officer for health reasons in January 2019.

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

Daniel Wright
Executive Chairman
3 September 2019

THE BOARD

The Board provides leadership to the Group as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk. The Board sets the Group's strategic goals; ensuring obligations to shareholders are met. Matters reserved for the decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements and any significant funding and capital plans. The Board meets regularly, usually monthly.

Board meeting attendance		
Daniel Wright	○○●●●●●●●●●●●●●	(13/15)
Gareth Jenkins	●●●●●●●●●●●●●●●	(15/15)
Euan Hamilton[1]	●●●●●●●●●●	(10/10)
Simon Allport[2]	○●●●●●●●	(7/8)

Audit Committee

The Audit Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets not less than two times in each financial year and has unrestricted access to the Group's external auditors.

Committee meeting attendance
Daniel Wright, one meeting attended
Euan Hamilton, one meeting attended[1]
Simon Allport, two meetings attended[2]

Nomination Committee

The Nomination Committee leads the process for board appointments and makes recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once a year.

Committee meeting attendance
Daniel Wright, two meetings attended
Euan Hamilton, one meeting attended[1]
Simon Allport, no meetings attended[2]

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee meets as and when necessary, but at least once each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance.

Committee meeting attendance
Daniel Wright, three meetings attended
Euan Hamilton, four meetings attended[1]
Simon Allport, four meetings attended[2]

(1) EH appointed 27 August 2018.
(2) SA appointed 10 October 2018.

EXPERIENCED AND EFFECTIVE

Daniel Wright
Executive Chairman

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

Key strengths
- Financial development
- Portfolio development
- Operating matters
- With over 15 years experience in PE backed acquisition, 50 transactions, he has a UK wide reputation of delivering exceptional returns
- A dynamic leader who brings great teams together

Previous experience
- NorthEdge Capital, Founder Partner, Chief Operating Officer & Head of Portfolio
- Accrol Group Holdings Limited, prior to IPO – Director
- Deutsche Morgan Grenfell Private Equity

Other commitments
- Vision Support Services Group Ltd – Chairman
- SolasCure – Director
- Manchester & London Investment Trust plc – Non-Executive Director

Committee
A N R

Gareth Jenkins
Chief Executive Officer

Date appointed
11 September 2017

Key strengths
- Extensive strategy, commercial, M&A and operational experience, UK and in Europe
- Retail, FMCG and industrial markets
- An extensive track record of delivering industry leading levels of return in manufacturing and paper based operations
- Significant experience in business turnaround
- Extensive senior leadership experience of business turnaround and delivering industry leading levels of return in cyclical paper businesses
- Personally led over 10 business turnarounds with a history of success over 20 years
- Delivered multi million pound EBITDA improvement in the last six years

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

Euan Hamilton
Independent
Non-Executive Director

Date appointed
27 August 2018

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

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

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

Committee
A N R

Simon Allport
Independent
Non-Executive Director

Date appointed
10 October 2018

Key strengths
- Extensive commercial & M&A experience
- Broad strategic experience throughout many industries
- Business transformation

Previous experience
- 32 years in the professional services
- Formerly Managing Partner for the North of England at Ernst & Young

Other commitments
- Fitzallan Limited
- The Enterprise Fund Limited
- Etale Limited

Committee
A N R

Committee key

A	Audit Committee	●	Member
N	Nomination Committee	○	Chairman
R	Remuneration Committee		

CORPORATE GOVERNANCE REPORT

The Directors acknowledge the importance of high standards of corporate governance and have chosen to comply with the principles set out in the Corporate Governance Code for Small and Mid-size Quoted Companies, as issued by the QCA (the QCA Code). A summary of how the Company currently complies with the QCA Code is set out below to be updated at least annually in the manner recommended by the QCA Code. There is also a summary on the Company's website.

The Chairman's role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance. The Board meets regularly to review, formulate and approve the Company's strategy, performance and corporate actions. The Company has established an Audit Committee, Nomination Committee and a Remuneration Committee with formally delegated duties and responsibilities (page 34) and with written terms of reference. Each of the Committees meets regularly (page 34). The executive team are directed to day-to-day management and are accountable to the rest of the Board.

Many of the disclosures relevant to the Code are already made in our annual Report and Accounts. In the application of this Code the Board has sought input from the auditors, the Company's advisers and a review by the Company's lawyer. The Board is tasked with returning the business to profit and seeking a path to long-term growth for shareholders and the importance of corporate governance is to oversee the division of ownership and stewardship. The Executive Directors have the day-to-day responsibility of stewardship and the Chairman and Non-Executives monitor and evaluate this on behalf of the owners.

The disclosures below were last reviewed and approved by the Board on 3 September 2019.

QCA Principles and Accrol Group Holdings' approach

1. **Establish a strategy and business model which promote long-term value for shareholders.**
The Company is in the process of implementing a comprehensive turnaround plan, focused on improving operational efficiency, winning new business and clear pricing to customers. This strategy is shared by the Board and the senior operational team and has been expressed clearly through recent circulars to shareholders, announcements through RNS and is explained fully within the Strategic Report section in our Report and Accounts (pages 4 to 9) each financial year. Key risks and mitigating factors to our business are also detailed annually in our Report and Accounts (pages 32 to 33).

2. **Seek to understand and meet shareholder needs and expectations.**
The Board is committed to an open and ongoing engagement with its shareholders and it also reviews and discusses changes in the Company's shareholder base at Board meetings. The main methods of communication with shareholders are the Annual Report and Accounts, the interim and full-year results announcements, the Annual General Meeting and the Company's website.

In addition, the Chairman and Chief Executive Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements, together with other Company advisers. The Non-Executive Directors are also available to discuss any matters that shareholders wish to raise and discuss.

The Company does not have a dedicated investor relations department given its size but has engaged an external investor relations adviser to act as another point of contact for shareholders, details of which are on the Company's website. Questions from individual shareholders are typically referred to the Chairman or CEO for written answers.

> "The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers and suppliers."

3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success.**
The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers and suppliers. The Executive Directors maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision making process and day-to-day running of the business. We have recently undertaken our first employee engagement survey and are actively developing plans to improve from a strong baseline index of 75% (pages 18 to 19).

The Company takes corporate social responsibility very seriously and whilst the nature of the business limits the risk of it having a negative impact on society and the environment, it is well understood that the behaviour of the Company and its employees should always be carefully monitored from this perspective.

Communication with our customers is fundamental to our success. The Company engages in continuous communication with our customers to understand their needs, share our plans, and nurture the collaborative partnership. The Company has key account managers for its customers. Similarly, strong relationships with our key suppliers of materials and third party services are maintained through regular reviews and site visits.

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation.**
Risk management is reported annually in our Report and Accounts (pages 32 to 33) along with how those risks are mitigated and how they change over time. The Board typically meets ten times a year during which business and other risks are assessed. There are also formal and informal communication routes that allow for risks to be communicated to Board members in a timely manner from all areas of the business.

5. **Maintain the Board as a well-functioning, balanced team led by the Chair.**
The Board has been through a series of changes in recent times in response to the requirement to make significant changes to the structure and operation of the Group (the turnaround project). The Board has now stabilised and comprises four Directors: the Executive Chairman, two Non-Executive Directors and one Executive Director. The Executive Director is the longest serving, having been appointed in September 2017. Both Non-Executive Directors, Simon Allport and Euan Hamilton, are considered by the Board to be independent. Over the period the Board has met as frequently as governance required but now meets regularly with processes in place to ensure that each Director is always provided with such information as is necessary to discharge their duties. The Board is also supported by the Committees (Audit, Remuneration and Nomination), each with specific remits. The detail of the number of meetings and attendance by Directors is noted in the Annual Report (page 34).

The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board and to bring independent judgement to the Board. The Company believes that the makeup of the Board represents a suitable balance of independence and detailed knowledge of the business to ensure that it can fulfil its roles and responsibilities as effectively as possible. Please see page 35 for the profiles of the Non-Executive Directors.

All Directors are subject to re-election by shareholders at the Annual General Meeting and any Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment. One will seek election at the next meeting.

6. **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.**
The Board evaluates consistently those skills that are required and whether they are adequately provided for across the Board and executive team. In doing so, and where relevant, it will consider guidance available on appointment and training of Board members. The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach. Where vacancies arise or gaps are identified that must be addressed, the Nomination Committee receives recommendations from the Chief Executive Officer and appraises the candidates. Appointments are made on merit against objective criteria and considering the benefits that will be brought to the Board and the Company.

The Board has access to external advice, including the Company's solicitors where required. The Board receives ongoing training as part of its annual Board meeting cycle.

The biographies of the Directors are set out on page 35.

7. **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.**
The Board has recently undergone huge change and the members of the executive team have been focused on the necessary turnaround plan for the Company. The Board has not yet therefore established a formal system of evaluation of its members.

Nevertheless, the Board is committed to establish a formal system of evaluation to ensure that the members of the Board are committed, independent and provide a relevant and effective contribution. In the interim, the Chairman is responsible for ensuring an effective Board.

8. **Promote a corporate culture that is based on ethical values and behaviours.**
The Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy. The Company has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically bribery and corrupt practices and modern slavery, and these are applicable across its operations including the supply chain and customer chain.

The Company communicates regularly with its employees, both formally and informally, and has recently implemented an employee engagement assessment (page 19), to help monitor the impact of its people related processes. As the emphasis on turnaround reduces, the importance of creating a sustainable culture in support of the Company's business model will increase.

The questions in the employee engagement assessment focused on a range of areas, including happiness at, and enjoyment with, work, expected standards and personal development.

The Company is an equal opportunities employer and highly values its people. It is committed to delivering products with as little environmental impact as possible.

Promotion of the right ethical values and behaviours is built into the remuneration plans of the Board.

9. **Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.**
The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Chairman is also responsible for ensuring the links between the Board and the shareholders are strong and efficient. The Chief Executive Officer, Chief Operating Officer and Group Finance Director are responsible for the day-to-day management of the business and for implementing the strategic goals agreed by the Board.

The Board has also established an Audit Committee, Remuneration Committee and Nominations Committee (page 34). From time to time, separate committees may be set up by the Board in order to consider and address specific issues, when and if the need arises.

Corporate governance disclosures are assessed at least annually, including whether the structures and processes are fit for purpose.

10. **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**
The Company places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer-term growth and success.

The Company's reports and presentations and notices of Annual General Meetings are made available on the website, as are the results of voting at shareholder meetings.

AIM Rule Compliance Report

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

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

Richard Almond
Company Secretary
3 September 2019

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 2019. This report includes my statement, the Annual Report on remuneration for the year and sets out our Directors' remuneration policy.

Our Directors' remuneration policy

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

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

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

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;
- introduction of new product; and
- operational improvements and capacity utilisation.

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

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

- Annual Report on remuneration providing details of the payments made to Directors in the year ending 30 April 2019, (page 39); and
- Directors' remuneration policy setting out the Company's remuneration policy (pages 40 to 42).

Euan Hamilton
Chairman of the Remuneration Committee
3 September 2019

ANNUAL REMUNERATION REPORT FOR 2019

Remuneration Committee
At the start of the year, the Remuneration Committee comprised:
- Daniel Wright
- Steve Hammett (resigned 28 August 2018)
- Joanne Lake (resigned 29 October 2018)

The Remuneration Committee now comprises:
- Daniel Wright
- Euan Hamilton (appointed 27 August 2018)
- Simon Allport (appointed 10 October 2018)

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

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

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

The Remuneration Committee meets at least once a year and otherwise as required. In the current financial year, the Remuneration Committee has met four times. Subsequent to the year end, the Remuneration Committee met to confirm the FY19 share awards.

Directors' remuneration
The tables below set out the total remuneration for Executive and Non-Executive Directors for the financial years ending 30 April 2019 and 30 April 2018.

Executive Directors

	Salaries £	Benefits in kind £	Other payments £	**Total remuneration 2019 £**	Total remuneration 2018 £
Gareth Jenkins	258,750	13,649	185,472	**457,871**	423,350
Daniel Wright	90,000	–	–	**90,000**	29,167
Steven Townsley(1)	107,946	6,681	10,795	**125,421**	–
Martin Leitch(2)	64,287	–	–	**64,287**	66,800
James Flude(3)	–	–	–	**–**	239,828
Steve Crossley(4)	–	–	–	**–**	147,737
Peter Cheung(5)	–	–	–	**–**	189,519

(1) Steven Townsley resigned on 22 January 2019.
(2) Martin Leitch resigned on 11 July 2018.
(3) James Flude resigned on 8 February 2018.
(4) Steve Crossley resigned on 11 September 2017.
(5) Peter Cheung resigned on 8 February 2018.

Non-Executive Directors

	Total fees 2019 £	Total fees 2018 £
Euan Hamilton(1)	**30,865**	–
Simon Allport(2)	**25,220**	–
Joanne Lake(3)	**24,500**	42,000
Steve Hammett(4)	**20,000**	40,000

(1) Euan Hamilton was appointed on 27 August 2018.
(2) Simon Allport was appointed on 10 October 2018.
(3) Joanne Lake resigned on 29 October 2018.
(4) Steve Hammett resigned on 28 August 2018.

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

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

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

As part of this, an annual bonus plan has been in place since April 2016. The Company has also adopted and subsequently refined a Management Incentive Plan ("MIP"), a long-term incentive plan to align the interests of Senior Management (Chairman, CEO, GFD, COO, Commercial Director) with those of the shareholders. The MIP has been designed to reflect the business context and awards cover the performance period starting 1 May 2018 and ending 30 April 2021. The terms of these proposed awards are outlined in summary below. 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.

MIP awards FY19
The current MIP is designed to incentivise Key Employees who play a central role in executing the Group's turnaround plan. During FY19 it became clear that extreme unforeseen fluctuations in the sterling/USD exchange rate were having a disproportionate and unexpected impact on the achievement of the Performance Conditions of the MIP, and that without variation it was expected that Key Employees would not be appropriately rewarded for their significant efforts in delivering on the turnaround strategy.

Accordingly, after considering the emerging situation, and in consultation with the Group's retained advisers, the Remuneration Committee agreed to exercise its discretion under the MIP rules to vary the Performance Conditions. The key variation allowed the 2019 MIP awards to vest based on an FY19 EBITDA adjusted to the original Group budgeted sterling/USD exchange rate. In return for this variation participants agreed that no Stretch Award would be issued in 2019, and that 100% (previously 30%) of any vested shares could not be sold for 12 months, thereby further linking participants' MIP rewards with those of all other shareholders.

Options granted for the three years FY19, FY20 and FY21

	Exercise price (p)	Options at 30 April 2018	Options granted in the period	Options exercised	Options lapsed	**Options at 30 April 2019**	Options vested[1]
Daniel Wright	0.1	–	9,412,418	–	–	**9,412,418**	3,195,584
Gareth Jenkins	0.1	–	16,068,937	–	–	**16,068,937**	5,609,716
Senior managers	0.1	–	6,869,145	–	–	**6,869,145**	1,031,379
Total		–	32,350,500	–	–	**32,350,500**	9,836,679

(1) FY19 vested options subject to a 12 months hold period.

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 Group.
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 Remuneration 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 up to 12.5% of base salary, which is paid either into a pension scheme operated by the Group 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, is made when determining the most appropriate mix of pension and cash contributions for each individual on an annual basis.
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 maximum bonus available is 120% of base salary per annum. Bonus awards can be reduced by up to 40% for failure to achieve TSR and personal performance targets. 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.

Purpose and link to strategy	Operation
Management Incentive Plan ("MIP")	
To incentivise the delivery of key performance measures over the long term. To retain key Executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.	The MIP is a share option plan designed to attract and engage the right calibre of individual to effect the turnaround required by the Company. The MIP is structured as a three-year plan; there is no intention to extend the MIP beyond its current timeframe. The MIP comprises three individual awards (the "Awards"), each one being conditional on performance targets based on the Company's EBITDA performance in FY19, FY20 and FY21 (together "the Performance Period"). The Awards will have a nominal value exercise price. The vesting criteria of each of the Awards is based on the achievement of adjusted EBITDA targets for FY19, FY20 and FY21 (the "EBITDA Targets") (as relevant) and the Company not being in any material breach of any of its banking covenants. Following the Remuneration Committee's determination as to whether the relevant EBITDA Targets have been met, and provided the banking covenants are not materially breached, the Awards vest, with 70% of the Award exercisable at this time, and the remaining 30% becoming exercisable one year later. Upon a takeover, depending on the price per ordinary share at which a takeover offer is accepted, a proportion of the Awards will immediately vest on the occurrence of the takeover. Any Awards not vesting on a takeover will generally lapse six months following this event. MIP participants do not participate in any other share options in the Company, and all previous equity awards which were granted have lapsed due to participants no longer being employees of the Company.

Termination of employment

Each Executive Director has a service agreement which may be terminated by either party serving six months' written notice (CEO 12 months). 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.

Payment of the annual bonus plan 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.

During the MIP vesting period, if a participant ceases to be a Director or employee of a member of the Group other than in certain 'Good Leaver' circumstances, their unvested Awards shall cease to become exercisable on the date of cessation of employment and lapse in full 30 days following this date.

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

Remuneration policy – Non-Executive Directors

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

Euan Hamilton
Chairman of the Remuneration Committee
3 September 2019

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements, along with the auditors' report for the year ended 30 April 2019.

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

Gareth Jenkins
Daniel Wright
Steven Townsley (appointed 11 June 2018, resigned 22 January 2019)
Martin Leitch (resigned 11 July 2018)
Steve Hammett (resigned 28 August 2018)
Joanne Lake (resigned 29 October 2018)
Euan Hamilton (appointed 27 August 2018)
Simon Allport (appointed 10 October 2018)

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 40 to 42. Details of the Directors' interests in the share capital of the Company are set out below. The roles and biographies of the Directors are set out on page 35.

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

Dividends
In respect of the year ended 30 April 2019, the Directors did not pay an interim dividend (2018: £nil) and do not recommend a final dividend (2018: £nil).
It remains the Board's intention to return to the dividend list at the earliest appropriate opportunity.

Financial instruments
Details of the Group's financial risk management objectives and policies are disclosed in note 20 to the financial statements.

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 2 to 33 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 34 to 37, and forms part of this report by reference.

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

Charitable and political donations
Charitable donations of £10,419 (2018: £17,681) were made during the year. There were no political donations during the year.

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

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

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

Directors' interests
The interests in the shares of the Company of those Directors serving at 20 August 2019, and as at the date of approving of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	Ordinary shares	% of issued share capital
Daniel Wright	3,077,808	1.58%
Gareth Jenkins	610,000	0.31%
Euan Hamilton	–	–
Simon Allport	–	–

Substantial shareholders

As at 20 August 2019, the Company was aware of the following individual registered shareholdings of more than 3% of the Company's issued share capital, representing 67.05% of the issued share capital of the Company.

Investor	Number of shares	Percentage
NorthEdge Capital LLP	27,487,377	14.08%
Schroder Investment Management	17,341,929	8.88%
Ruffer LLP	14,321,419	7.34%
Standard Life Aberdeen plc	13,582,974	6.96%
Marocaine pour le Commerce et l'Industrie Banque SA	11,331,498	5.80%
Killik Asset Management	9,861,607	5.05%
Jarvis Investment Management	8,868,454	4.54%
SG Securities	8,057,530	4.13%
AXA Investment Managers	6,100,000	3.12%
Majid Hussain*	4,652,590	2.38%
Wajid Hussain*	4,652,590	2.38%
Mozam Hussain*	4,646,621	2.38%

* Aggregate holding of approximately 7.15% of the Company's issued share capital.

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 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 cashflow and liquidity. Further details of the borrowing facilities are set out in note 18.

The Group has now completed the turnaround plan, at a cost of c£7.9m this year. £9.3m was received from shareholders in June 2018, bank covenants have been reset whilst scheduled bank loan repayments of £3m were also made. Net debt was reduced by £6.7m in the year, closing at £27.1m.

As in previous years, the Group's performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including the delivery of operational savings, maintenance of newly agreed parent reel prices and successful management of any foreign exchange downside through price increases or further cost reductions. Downside sensitivity analysis was performed on the assumptions around parent reel prices and foreign exchange rate movements. Brexit clearly determines the scale of any FX risk and the Group is already highlighting to customers the impact that it might have on prices as a result of changing input costs. Operational risk is limited as most purchases are made from outside Europe, however there is a small risk arising from administrative complexity at the docks. The Group is reassured that the principal docks used have sufficient capacity to handle any issues.

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

Disclosure of information to the auditors

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

(a) So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.

(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 auditors are aware of that information.

Auditors

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

Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at Addleshaw Goddard, 1 St Peters Square, Manchester M2 3DE on 22 October 2019 at 11am.

On behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer
3 September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Directors' confirmations

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCROL GROUP HOLDINGS PLC

Opinion

We have audited the financial statements of Accrol Group Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2019 which comprise the Consolidated Income Statement and Consolidated Statement of Comprehensive Income; the Consolidated and Company Statements of Financial Position; the Consolidated and Company Statements of Changes in Equity; the Consolidated Cashflow Statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
Impairment of intangible assets, including goodwill, and investments (Company only)	
As described in note 2 (accounting policies), in note 3 (critical accounting estimates) and note 12 (intangibles), the Group has intangible assets, including goodwill which are material to the Group financial statements and which are subject to an annual review for impairment. The Parent Company has an investment in the main trading company, Accrol Papers Limited (as shown in note 6 of the Company Financial Statements) which is also required to be reviewed for impairment (as per note 2 to the Company Financial Statements). The Directors have performed their annual impairment review to compare the carrying value of the asset base to the value of discounted future cashflows, using a value in use model. Following this exercise, it was determined by the Directors that no impairment was required for goodwill and other intangibles. An impairment was recorded in the Parent Company investment following a review of net assets and market capitalisation. We focused on this area because the calculation involves judgements and estimates based on the Directors' assessment of the future results and prospects of the Group, the appropriate discount rates and other key assumptions.	We examined the assumptions and forecasts made by the directors to assess the recoverability of the carrying amount of goodwill, investments and other intangible assets. We focused on the appropriateness of cash generating units (CGU) identification, methodology applied to estimate recoverable amounts, discount rates and forecast cashflows. Specifically: • We compared the methodology applied in the value in use calculation with the relevant accounting standard and checked the mathematical accuracy of management's model. • We checked that the cashflow forecasts used in the valuation are consistent with the information used by the Board. • We assessed the reasonableness of the Board approved budgets, including assessing the revenue and costs included in those budgets based on our understanding of the Group and considered whether the assumptions underpinning the budgets were consistent with that understanding. • We challenged management on their cashflow forecasts and the growth rates for 2019/20 and beyond by considering evidence available to support these assumptions such as actual results post year end, and by performing a sensitivity analysis particularly on cashflows. • We used our valuation experts to assist us in independently assessing the discount rate and long-term growth rates applied within the model. Based on our work we concur with management's view that no impairment was required in goodwill and other intangibles and no further impairment was required for the Company investment.

Key audit matter	How we addressed the key audit matter in the audit
Classification of Turnaround and Operational items	
As described in note 2 (accounting policies), note 3 and note 6 (Turnaround and Operational items), the Group has items which are disclosed separately on the Statement of Comprehensive Income and are excluded from the Directors' reporting of the underlying performance of the Group. We focused on this area, specifically to assess whether the items identified by the Directors meet the definition within the Group's accounting policy and have been treated consistently, because the identification of such items requires judgement by the Directors.	We challenged the Directors' rationale for the designation of certain items as Turnaround and Operational costs, assessed such items against the Group's accounting policy and consistency of treatment with prior periods, taking into account the significant changes in the business that have occurred during the year. We assessed management's classification of wastage by assessing historic levels and those seen before and after the turnaround to ensure the levels reported in non-recurring expenditure are indeed one-off and not expected following the restructuring initiatives put in place by management. We also challenged the narrative in the front end of the financial statements to ensure equal prominence was given to both normal and adjusted measures to the financial statements and was consistent with our knowledge. The results of our testing were satisfactory.
Going concern and borrowings covenant compliance	
As disclosed in note 2, management have assessed that it is appropriate for the Group and the Parent Company to continue preparing the consolidated financial statements on a going concern basis. We considered this to be a key audit matter because management's assessment involves significant assumptions and judgements which are based on their best estimates, analysis of the current market conditions and the Group's performance.	Our audit procedures included examining management's business plan covering the period to April 2021, which is also used as a basis for the discounted cashflow model in the impairment assessment of goodwill and other non-current assets. We examined the cashflow forecasts for key judgements as well as considering downside sensitivities to these. We challenged management's assumptions used in the forecast period by considering available evidence, including recent performance, to support these assumptions. The forecast includes key assumptions in respect of (1) the sterling to US dollar foreign exchange rate; (2) parent reel pricing; and (3) certain elements of the operational and commercial turnaround which we have challenged and corroborated to supporting documentation. During the year the Group renegotiated financing arrangements in relation to borrowings from shareholder loans and from external banks. We re-calculated the covenants both at the year end and quarterly within the forecast period to check there was sufficient headroom. Based on the work undertaken, we concur with management's view that it is appropriate to prepare the financial statements on a going concern basis.

Our application of materiality
We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group materiality	£236,000
Basis for materiality	4% of Loss before tax adjusted for Turnaround and Operational items
Rationale for benchmark adopted	Pre-tax loss adjusted for Turnaround and Operational items is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance for the users of the financial statements.

In considering individual account balances and classes of transactions we apply a lower level of materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £142,000, representing 60% of materiality.

Our audit work on each significant component was executed at levels of materiality applicable to each individual entity which was lower than Group materiality. Component materiality ranged from £120,000 to £234,000. Parent Company materiality was £120,000.

We agreed with the Audit Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £7,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group manages its operations from one principal location in the UK. The audit of all significant components was performed by the same audit team.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 4 components of the Group, we determined that 2 components represented the principal business units within the Group.

For these 2 significant components, we performed a full scope audit of the complete financial information. For the remaining components, audit work was performed for statutory purposes and covered specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

As a consequence of the audit scope determined, we achieved coverage of approximately 100% of revenue, 100% of loss before tax and 100% of total assets. Our audit work on each component was executed at levels of materiality applicable to each individual entity which was lower than Group materiality.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
3 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 30 APRIL 2019

	Note	2019 £'000	2018 £'000
Revenue	4	**119,111**	139,738
Cost of sales		**(101,559)**	(115,232)
Gross profit		**17,552**	24,506
Administration expenses		**(19,228)**	(33,177)
Distribution costs		**(11,066)**	(14,685)
Operating loss	5	**(12,742)**	(23,356)
Analysed as:			
– Adjusted EBITDA[1]		**1,008**	(5,824)
– Depreciation	11	**(2,488)**	(2,612)
– Amortisation of intangible assets	12	**(2,040)**	(2,041)
– Share based payments		**(1,316)**	–
– Turnaround and Operational costs	6	**(7,906)**	(12,879)
Operating loss		**(12,742)**	(23,356)
Finance costs	9	**(1,276)**	(713)
Loss before tax		**(14,018)**	(24,069)
Tax credit	10	**2,270**	4,106
Loss for the year attributable to equity shareholders		**(11,748)**	(19,963)

Earnings per share		**pence**	pence
Basic loss per share	7	**(6.2)**	(18.7)
Diluted loss per share	7	**(6.2)**	(18.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 APRIL 2019

	2019 £'000	2018 £'000
Loss for the year attributable to equity shareholders	**(11,748)**	(19,963)
Other comprehensive income for the year		
Revaluation of derivative financial instruments[2]	**50**	2,868
Tax relating to components of other comprehensive income	**(9)**	(545)
Total comprehensive loss attributable to equity shareholders	**(11,707)**	(17,640)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**29,302**	24,723
Intangible assets	12	**25,661**	27,701
Total non-current assets		**54,963**	52,424
Current assets			
Inventories	13	**11,162**	14,057
Trade and other receivables	14	**23,057**	29,987
Current tax asset		**191**	2,198
Cash and cash equivalents	15	**2,176**	431
Derivative financial instruments	19	**50**	–
Total current assets		**36,636**	46,673
Total assets		**91,599**	99,097
Current liabilities			
Borrowings	18	**(16,709)**	(21,670)
Trade and other payables	16	**(15,986)**	(13,858)
Provisions	17	**(571)**	(492)
Derivative financial instruments		**–**	(668)
Total current liabilities		**(33,266)**	(36,688)
Total assets less current liabilities		**58,333**	62,409
Non-current liabilities			
Borrowings	18	**(11,838)**	(11,759)
Deferred tax liabilities	10	**(33)**	(2,352)
Provisions	17	**(2,140)**	(2,672)
Total non-current liabilities		**(14,011)**	(16,783)
Total liabilities		**(47,277)**	(53,471)
Net assets		**44,322**	45,626
Capital and reserves			
Share capital	22	**195**	129
Share premium		**68,015**	58,832
Hedging reserve		**41**	–
Capital redemption reserve		**27**	27
Retained earnings		**(23,956)**	(13,362)
Total equity shareholders' funds		**44,322**	45,626

The financial statements were approved by the Board of Directors on 3 September 2019.

Signed on behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer

Company Registration Number 09019496

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 APRIL 2019

	Note	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
Balance at 30 April 2017 and at 1 May 2017		93	41,597	(2,323)	27	10,517	49,911
Comprehensive (expense)/income							
Loss for the year		–	–	–	–	(19,963)	(19,963)
Revaluation of derivative financial instruments		–	–	2,868	–	–	2,868
Tax relating to components of other comprehensive income		–	–	(545)	–	–	(545)
Total comprehensive income		–	–	2,323	–	(19,963)	(17,640)
Transactions with owners recognised directly in equity							
Proceeds from shares issued		36	17,964	–	–	–	18,000
Transaction costs		–	(729)	–	–	–	(729)
Dividends		–	–	–	–	(3,720)	(3,720)
Share based payments		–	–	–	–	(196)	(196)
Total transactions recognised directly in equity		36	17,235	–	–	(3,916)	13,355
Balance at 30 April 2018		129	58,832	–	27	(13,362)	45,626
Comprehensive (expense)/income							
Loss for the year		–	–	–	–	(11,748)	(11,748)
Revaluation of derivative financial instruments		–	–	50	–	–	50
Tax relating to components of other comprehensive income		–	–	(9)	–	–	(9)
Total comprehensive income		–	–	41	–	(11,748)	(11,707)
Transactions with owners recognised directly in equity							
Proceeds from shares issued	22	66	9,869	–	–	–	9,935
Transaction costs		–	(686)	–	–	–	(686)
Share based payments (net of tax)		–	–	–	–	1,154	1,154
Total transactions recognised directly in equity		66	9,183	–	–	1,154	10,403
Balance at 30 April 2019		**195**	**68,015**	**41**	**27**	**(23,956)**	**44,322**

CONSOLIDATED CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2019

	Notes	**2019 £'000**	2018 £'000
Cashflows from operating activities			
Operating loss		**(12,742)**	(23,356)
Adjustment for:			
Depreciation of property, plant and equipment	11	**2,488**	2,612
Impairment of property, plant and equipment	11	**–**	2,502
Loss on disposal of property, plant and equipment		**117**	–
Amortisation of intangible assets	12	**2,040**	2,041
Grant income		**(118)**	(118)
Turnaround and Operational costs		**340**	4,564
Impairment of trade receivables		**–**	380
Share based payments		**1,316**	(196)
Operating cashflows before movements in working capital		**(6,559)**	(11,571)
Decrease in inventories		**2,554**	924
Decrease/(increase) in trade and other receivables		**6,929**	(6,937)
Increase/(decrease) in trade and other payables		**1,971**	(5,511)
Decrease in provisions		**(501)**	–
Decrease in derivatives		**(668)**	–
Cash generated from/(used in) operations		**3,726**	(23,095)
Tax received/(paid)		**2,006**	(830)
Net cashflows generated from/(used in) operating activities		**5,732**	(23,925)
Cashflows from investing activities			
Purchase of property, plant and equipment		**(3,581)**	(2,923)
Proceeds from sale of property, plant and equipment		**358**	–
Net cashflows used in investing activities		**(3,223)**	(2,923)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		**9,935**	18,000
Cost of raising finance		**(686)**	(729)
Amounts received from factors		**141,352**	163,826
Amounts paid to factors		**(146,339)**	(154,672)
New finance leases		**142**	200
Repayment of capital element of finance leases		**(1,011)**	(227)
Repayment of bank loans		**(3,000)**	–
Receipt of new bank loans		**–**	2,000
Transaction costs of bank facility		**(284)**	(689)
Interest paid		**(873)**	(577)
Dividend paid to ordinary shareholders		**–**	(3,720)
Net cashflows (used in)/generated from financing activities		**(764)**	23,412
Net increase/(decrease) in cash and cash equivalents		**1,745**	(3,436)
Cash and cash equivalents at beginning of the year		**431**	3,867
Cash and cash equivalents at year end	15	**2,176**	431

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 APRIL 2019

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

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

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

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

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

Standards, amendments and interpretations to existing standards that are not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2019 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of application when the relevant standards come into effect.

- Amendments to IFRS 1 'First-time adoption of IFRS' regarding short term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2019)
- Amendments to IAS 19 'Employee benefits' Plan amendment, curtailment or settlement (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax' (effective 1 January 2019)
- Annual Improvements 2015-2017 (effective 1 January 2019)

Assessment of new standards – current year
The impact of standards that are effective for this financial year, IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' is as described below.

IFRS 9 'Financial Instruments'
This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. It impacted the Group as follows:

The Group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables), resulting in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group considered the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Under the existing incurred loss model, the historical loss rate has been c0.1% of revenue over the past four years. Under the new model, applied to all trade and other receivables at 30 April 2019, these provision amounts remain broadly unchanged. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables and have applied a hold to collect business model.

The Group also applied the expected credit loss model to calculate impairment losses on intercompany loans. This applies to the Company financial statements only and relates to a loan of c£21m with an intermediate holding company that does not have means of repayment on a standalone basis. In this scenario, the loan is classed as stage 3 and the lifetime expected credit losses are calculated that result from all possible default events over the expected life of the loan. The Group has considered cashflow forecasts over the expected life of the loan, including those from other Group companies, and has concluded that no impairment is required.

In the prior year, the Group did not designate any hedging relationships as qualifying hedge relationships under IAS 39. In the current year, the Group has adopted the hedge accounting provisions in IFRS 9 to enable it to apply hedge accounting to foreign exchange forward contracts. This adoption has been applied prospectively from 1 May 2018.

IFRS 15 'Revenue from Contracts with Customers'
This standard establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cashflows from a contract with a customer. In particular, it requires the entity to identify distinct performance obligations within a contract with a customer and attribute values accordingly.

In transitioning to IFRS 15, the Group has applied the modified retrospective method, in which any differences at the date of adoption between IAS 18 (the previous accounting standard) and IFRS 15 are posted through retained earnings at the date of transition (30 April 2018) and prior year comparatives are not restated.

Under the previous accounting standard revenue was recognised when the risks and rewards of ownership were transferred, determined as when the product was delivered to the customer. Under the new accounting standard, the revenue is recognised when control passes, again determined as the point in time when the product is delivered. Therefore, the impact of the change in standard on the timing of revenue recognition is insignificant.

The Group also considered variable consideration (customer rebates) when determining the transaction price. These are generally fixed percentages of gross revenue and are recognised at the same time as the revenue relating to the delivery of the product. These items are usually settled shortly after the product has been delivered. The treatment of customer rebates is consistent between IAS 18 and IFRS 15, therefore the impact of the change in standard on the value of revenue recognised is insignificant.

2. Summary of significant accounting policies continued

Assessment of new standards – following year

IFRS 16 'Leases' (effective 1 January 2019)

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

The Group intends to apply the modified retrospective transition approach and to take exemptions for low value and short-term leases (those less than 12 months) when adopting IFRS 16 from 1 May 2019.

As at the reporting date the Group has non-cancellable operating lease commitments of £22.4m (see note 21), which relate to property leases. The Group is yet to finalise the assessment but the effect of accounting for those commitments under IFRS 16 is anticipated to result in right of use assets of c£10m, lease receivables of c£6.5m and lease liabilities of c£18m. Net debt is expected to increase by c£18m (£12m if adjusted for lease receivables). Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and depreciation on its right of use assets. It will also recognise interest income from its lease receivables. This is estimated to increase reported EBITDA for the year ended 30 April 2020 by c£2.5m, increase net interest by c£0.7m and depreciation costs by c£1.5m.

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

Going concern

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

The Group has now completed the turnaround plan, at a cost of £7.9m this year. £9.3m was received from shareholders in June 2018 by way of a Placing and Open offer, bank covenants have been reset and scheduled bank loan repayments of £3m were also made. Net debt was reduced by £6.7m in the year, closing at £27.1m.

As in previous years, the Group's performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including the delivery of operational savings, maintenance of newly agreed parent reel prices and successful management of any foreign exchange downside through price increases or further cost reductions. Brexit clearly determines the scale of any FX risk and the Group is already highlighting to customers the impact that it might have on prices as a result of changing input costs. Operational risk is limited as most purchases are made from outside Europe, however there is a small risk arising from administrative complexity at the docks. The Group is re-assured that the principal docks used have sufficient capacity to handle any issues.

Downside sensitivity analysis was performed on the assumptions around parent reel prices and foreign exchange rate movements. Trading in the first quarter is in line with expectations and does not indicate a change to the underlying assumptions.

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

Consolidation

Subsidiaries

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

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

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

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

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

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cashflows 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 finance costs, tax, depreciation, amortisation, share based payments and turnaround and operational costs. 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 reflect those used for the Group.

Revenue

Performance obligations and timing of revenue recognition

The Group's revenue is recognised at a point in time when control of the goods has transferred to the customer. This is when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Determining the transaction price

The transaction price equates to the invoice amount less an estimate of any applicable rebates and promotional allowances that are due to the customer. Rebate 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.

Allocating amounts to performance obligations

The Group has identified one performance obligation (delivery of product to the customer), therefore the entire transaction price is allocated to the identified performance obligation.

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.

Turnaround and Operational costs

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

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

EBITDA and Adjusted EBITDA

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

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

Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

Property, plant and equipment

Property, plant and equipment are included at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated to write down the cost of the assets on a straight-line or reducing balance basis over the estimated useful lives on the following bases:

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

Assets under construction are not depreciated until 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.

2. Summary of significant accounting policies continued

Intangible assets

Goodwill

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

Other intangible assets

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

Impairment of non-financial assets

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

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

Financial instruments

Financial assets

The Group classifies its financial assets as either amortised cost, fair value through comprehensive income or fair value through profit or loss depending on the purpose for which the asset was acquired. The Group does not currently have any assets categorised as fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods to customers (trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 to determine lifetime expected credit losses. Expected credit losses are recognised within administration expenses in the consolidated statement of comprehensive income. The Group has applied a hold to collect business model.

Impairment provisions for receivables from Group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents 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. Bank overdrafts are disclosed separately within borrowings within current liabilities.

Financial liabilities

The Group classifies its financial liabilities as either fair value through profit or loss or other financial liabilities depending on the purpose for which the liability was acquired. The Group does not currently have any liabilities categorised as fair value through profit or loss.

Other financial liabilities

Bank borrowings (including amounts owed to factors) are initially recognised at fair value net of transaction costs where applicable. They are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest rate method over the life of the loan.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Hedge accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cashflow hedges

The effective part of forward contracts designated as a hedge of the variability in cashflows of foreign currency risk are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cashflow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Share based payments

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

Leases

Finance leases

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

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

Operating leases

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

Government grants

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

Inventories

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

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 judgements in applying the entity's accounting policies
Turnaround and Operational costs
During the course of the year the Group incurred expenditure that is not linked directly to the normal trading of the business. This is particularly the case when undergoing significant structural change. In order to better explain the underlying performance of the business, management makes a judgement as to which costs should be included in Turnaround and Operational costs and disclosed separately.

Significant costs within this category and associated judgements were as follows:
- Waste – the Group used judgement in determining the appropriate benchmark from which to measure incremental waste.
- Management/operational restructure – judgement was required to identify the appropriate level of incremental dual resource ascribed to the turnaround project.
- Skelmersdale – judgement was required to identify the appropriate baseline from which to measure incremental costs of running the site and operation.

Critical accounting estimates in applying the entity's accounting policies
Goodwill and intangible asset impairment
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its sole CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of a number of key variables in order to calculate the present value of the cashflows, including:

- future underlying cashflows;
- the determination of a pre-tax discount rate; and
- long-term growth rates.

The future underlying cashflows remain sensitive to a number of key variables, including the sterling/USD exchange rate and parent reel pricing, both of which are inherently difficult to predict, and which could have a significant effect (positive or negative) on the Group's cashflows.

More information including carrying values is included in note 12.

Deferred taxation
The Group has recognised deferred tax assets in respect of losses incurred in the current and prior year. This requires the estimation of future profitability in determining the recoverability of these assets. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including the delivery of operational savings, maintenance of newly agreed parent reel prices, the successful management of any foreign exchange downside through price increases or further cost reductions and the maintenance of the current strong customer relations. As described above, the Group's trading performance remains sensitive to a number of key variables which could have a significant effect (positive or negative) on the Group's cashflows.

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

	2019 £'000	2018 £'000
United Kingdom	**113,736**	133,132
Europe	**5,375**	6,606
Total	**119,111**	139,738

Major customers
In 2019 there were five major customers that individually accounted for c.10% and above of total revenues (2018: four customers). The revenues relating to these customers in 2019 were £24,491,000, £21,444,000, £16,524,000, £14,085,000 and £13,850,000 (2018: £22,200,000, £28,606,000, £13,885,000, £11,809,000 and £13,706,000).

5. Operating loss

Operating loss is stated after (crediting)/charging:

	2019 £'000	2018 £'000
Employee benefit expense	**14,000**	14,106
Depreciation of property, plant and equipment	**2,488**	2,612
Impairment of property, plant and equipment	**–**	2,502
Amortisation of intangible assets	**2,040**	2,041
Loss on disposal of property, plant and equipment	**117**	–
Operating lease rentals	**3,099**	3,808
Net foreign exchange losses	**39**	4,377
Grant income	**(118)**	(118)

Auditor's remuneration

	2019 £'000	2018 £'000
Audit services – Company	**13**	13
Audit services – Rest of Group	**65**	62
Non audit services:		
Tax compliance services	**–**	12
	78	87

6. Turnaround and Operational costs

	2019 £'000	2018 £'000
Setting up and subsequent exit from Skelmersdale site	**3,174**	3,961
Management reorganisation and restructure	**724**	1,116
Impairment of property, plant and equipment	**130**	2,502
Loss on derivative financial instruments	**–**	4,377
Operational reorganisation and restructure	**872**	–
Raw materials waste	**2,308**	–
Other	**698**	923
	7,906	12,879

These items for the current year are included within cost of sales and administration expenses. For the prior year they are included in administration expenses only.

A summary of the Turnaround and Operational costs for the current year are as follows. Further detail can be found on pages 6 to 9 (The Turnaround Costs).

Setting up and subsequent exit from Skelmersdale site

	2019 £'000	2018 £'000
Incremental labour costs	**1,229**	–
Incremental transport costs	**437**	–
Incremental facility costs	**645**	–
Incremental cost to create space	**185**	–
Project management support	**246**	–
Exit agreement consultancy and legal costs	**176**	132
Building repairs and dilapidations	**256**	–
Initial site set up	**–**	315
Onerous contract costs	**–**	3,164
Impairment of trade receivables	**–**	350
	3,174	3,961

The costs of incremental labour were incurred from operating the logistics from multiple sites and under a third party agreement (providing and managing the labour offsite).

Incremental transport costs are for shunting goods from production sites to the warehousing site.

Incremental facility costs are for the unrequired facility that added complexity and cost to the operations in H1 FY19. Costs include rent, rates and utilities charges.

6. Turnaround and Operational costs continued

Setting up and subsequent exit from Skelmersdale site continued

Incremental cost to create space was incurred as the Group downsized from five sites to four, creating short-term pressures on the remaining sites. Costs included the disposal of raw materials (£119,000), production inefficiency as lines were stopped to manage the stock position (£49,000) and local offsite storage for a brief period (£17,000).

Project management support included expert advice and temporary support to ensure actions were completed as quickly as possible.

Exit agreement consultancy and legal costs was necessary due to the number and complexity of contracts that needed to be agreed prior to exit and the need for speed in execution required substantial advisory input.

Building repairs and dilapidations became evident as the Skelmersdale site was cleared ready for the new tenant. Due to the length and terms of the sub lease, the facility needed to be returned to its original condition.

In FY18, Skelmersdale set up costs of £315,000 include duplicated costs relating to redundant space, additional deliveries and staffing. Charges of £3,646,000 relate to the decision to exit from the Skelmersdale facility and logistics agreements. This primarily comprises onerous contract provisions of £3,164,000 and trade receivables of £350,000 that were impaired as part of the settlement.

Management reorganisation and restructure

	2019 £'000	2018 £'000
Hiring and exiting of senior management team	**172**	613
Implementation of new incentive plan	**110**	–
Dual resourcing of financial planning, procurement and paper ordering	**252**	247
Incremental audit fees	**30**	–
Covenant reset consultancy and legal costs	**160**	256
	724	1,116

Hiring and exiting directors includes compensation for lost bonus payments to facilitate speedy appointment, compensation for loss of office for departing directors, recruitment search fees and legal costs. This process spanned the year end hence costs in both years.

A new incentive plan was required as the previous incentive structures were only appropriate for a stable business and, with the survival of the Group at risk, external advisers were needed to construct, test, approve and document an entirely new scheme rapidly.

Dual resourcing was required throughout much of calendar 2018 to support projects , which would normally be completed sequentially, and had to be run in parallel. This included the establishment of processes for financial planning and reporting, procurement and paper ordering.

Incremental audit fees resulted from an unusually lengthy audit process, focused on the turnaround, and work relating to cash recovery associated with tax losses.

Bank covenants were re-set in conjunction with both the November 2017 and June 2018 placings to raise funding from shareholders. This required considerable support from advisers.

Impairment of property, plant and equipment

Two Away from Home lines, impaired in the prior year, were sold in the current year, recognising a loss of £130,000.

In FY18, a provision of £2,056,000 was made against five redundant lines. This space was required as part of the site re-organisation to allow the absorption of stockholding from Skelmersdale, and an additional £446,000 impairment was recognised for lines associated with the AFH business which was being exited.

Loss on derivative financial instruments

In FY18, there was a charge of £4,377,000 relating to early settlement costs of unrequired foreign exchange forward contracts, plus charges relating to contracts that, when crystallised, were not used to purchase raw materials. Since then, the new management has adopted a revised approach to paper purchasing and foreign exchange, to reduce the risk of over commitment. No exceptional losses were recorded in FY19.

Operational reorganisation and restructure

	2019 £'000	2018 £'000
Redundancy and associated professional fees	**338**	–
Investment in training	**444**	–
Film write off	**90**	–
	872	–

Redundancy and associated professional fees were incurred as employee headcount was reduced to the new operational blueprint and production lines for discontinued products were shut down, as the new management team's simplification plans were effected.

Extensive investment in training was required through most of H1. Instead of moving straight to blueprint numbers and costs in Q1, the operational workforce was maintained to underpin the Group's operations whilst a comprehensive "on the job" retraining effort was conducted.

Film wrapping was written off to enable a rapid shift to the Group's new rationalised product and manufacturing schedule. It was necessary to dispense with the Group's normal procedure of maintaining production of a product until all raw material stock has been consumed. The benefits of achieving fixed schedule production out-weighed the loss on the film written off.

Raw materials waste

Waste covers the paper, film and coreboard that is scrapped each month as manufacturing issues prevent optimisation of raw material usage. The turnaround required a significant change in the manufacturing approach, with considerable simplification of materials, schedules and finished goods, alongside changes to working practices and the physical layout, the scale of which could not be delivered under normal operating conditions.

Based upon experience the Board took the decision to accept incremental waste caused by the multiple turnaround projects for a period of time in order to move the project at pace and get to the optimal production schedule quickly. The Board considers the cost of £2,308,000 to be a critical element of the turnaround, without which the operational cost savings could not have been achieved in such a short timescale.

Other

	2019 £'000	2018 £'000
FCA investigation legal costs	179	–
AFH exit	89	91
Cash generation	160	277
New line temporary inefficiency	86	–
HSE investigation	–	122
Sub-standard paper write-off	107	–
Other	77	433
	698	923

Other costs of a non-recurring nature were incurred during the year. Many relate to the challenging circumstances in which the Group found itself, due to the situation created in 2017. The total amounted to £698,000 (FY18: £923,000), a description of these costs is provided below.

The FCA is investigating from 10 June 2016 to 30 September 2018 (see the RNS 6698N on 21 January 2019 and RNS 1694U on 24 March 2019). The Company has incurred significant consultancy and legal costs associated with the management of this investigation. A further amount has been assumed in FY20 forecasts, as the case continues (see note 27 on contingent liabilities).

The AFH exit was a strategic decision to allow the Group to focus on its core consumer products. In addition to the impairment costs associated with AFH machinery, the Group incurred costs on corporate finance advice, redundancy and raw material sales.

Approaching a key point in the cash cycle, steps were taken to support the cash position. This was before the new planning and procurement process was established and the paper stocks were running too high. These steps included selling a small amount of excess paper stock at a loss (£82,000) and holding some stock at docks incurring additional charges (£64,000).

New line temporary inefficiency relates to additional commissioning cost incurred over and above normal expectations. Ongoing focus remains on this line to ensure that industry leading output is achieved.

Sub-standard paper write-offs were incurred as the Group trialled several new suppliers in the search for an improved selection of paper types and suppliers to support the new turnaround requirements. Poor production quality from one delivery meant the stock did not meet the new business standards and was written off. The ongoing dispute with the supplier has not been resolved.

7. (Loss)/earnings per share

Basic earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

	2019 £'000	2018 £'000
Loss for the year attributable to shareholders	(11,748)	(19,963)

Weighted average number of shares	Number '000	Number '000
Issued ordinary shares at 1 May	129,012	93,012
Effect of shares issued in the year	60,180	13,808
Weighted average number of ordinary shares at 30 April	189,192	106,820
Basic loss per share (pence)	(6.2)	(18.7)

7. (Loss)/earnings per share continued

Diluted earnings per share

Diluted earnings per share is calculated by dividing the (loss)/profit after tax by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options.

	2019 £'000	2018 £'000
Loss for the year attributable to shareholders	**(11,748)**	(19,963)

	Number '000	Number '000
Weighted average number of shares (basic)	**189,192**	106,820
Effect of conversion of Accrol Group Holdings plc share options	**–**	–
Weighted average number of ordinary shares at 30 April	**189,192**	106,820
Diluted loss per share (pence)	**(6.2)**	(18.7)

No adjustment has been made in 2019 and 2018 to the weighted average number of shares for the purpose of the diluted earnings per share calculation as the effect would be anti-dilutive.

8. Employee costs

	2019 £'000	2018 £'000
Employee costs during the year amounted to:		
Wages and salaries	**11,376**	12,930
Social security costs	**1,097**	1,204
Other pension costs	**211**	168
Share based payments (note 25)	**1,316**	(196)
	14,000	14,106

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

	Number	Number
Production	**350**	463
Administration	**38**	47
	388	510

9. Finance costs

	2019 £'000	2018 £'000
Bank loans and overdrafts	**415**	277
Finance lease interest	**167**	23
Interest on factoring facility	**291**	277
Amortisation of finance fees	**297**	136
Unwind of discount on provisions	**48**	–
Other interest	**58**	–
Total finance costs	**1,276**	713

10. Income tax expense

Tax credited in the income statement

	2019 £'000	2018 £'000
Current income tax		
Current tax on losses for the year	–	–
Adjustment in respect of prior periods	–	2,182
Total current income tax credit	**–**	2,182
Deferred tax		
Origination and reversal of temporary differences	**2,606**	2,434
Adjustment in respect of prior periods	**(175)**	(436)
Change in tax rate	**(161)**	(74)
Total deferred tax credit	**2,270**	1,924
Tax credit in the income statement	**2,270**	4,106

The tax credit for the year is lower (2018 charge: is lower) than the effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Loss before income tax	**(14,018)**	(24,069)
Effective rate	**19%**	19%
At the effective income tax rate	**2,663**	4,573
Expenses not deductible for tax purposes	**(79)**	(118)
Tax exempt income	**22**	–
Adjustment in respect of prior periods	**(175)**	(436)
Change in rate	**(161)**	87
Total tax credit	**2,270**	4,106

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

	Accelerated capital allowances £'000	Intangible assets £'000	Derivative financial instruments £'000	Losses £'000	Share-based payments £'000	Other £'000	Total £'000
30 April 2017 – restated	(1,695)	(2,641)	545	–	–	60	(3,731)
Credit/(charge) in year	552	404	127	901	–	(60)	1,924
Charge to equity	–	–	(545)	–	–	–	(545)
30 April 2018	(1,143)	(2,237)	127	901	–	–	(2,352)
Credit/(charge) in year	(768)	391	(127)	2,524	250	–	2,270
Credit/(charge) to equity	–	–	(9)	–	58	–	49
30 April 2019	**(1,911)**	**(1,846)**	**(9)**	**3,425**	**308**	**–**	**(33)**

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

	2019 £'000	2018 £'000
Deferred tax assets	**3,733**	1,028
Deferred tax liabilities	**(3,766)**	(3,380)
	(33)	(2,352)

A deferred tax asset of £3,425,000 relating to current and prior year losses has been recognised in the year, on the basis that, following a review of forecasts, management expect that these will be recovered against future taxable profits.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £298,000 (2018: £261,000).

The Finance Act 2016 reduced the main rate of corporation tax to 19% from 1 April 2017. A future rate reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. Therefore, the rate of 19% (2018: 19%) has been reflected in the consolidated financial statements and deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. Deferred tax has been provided at the rate of 17% as at 30 April 2019 (2018: 17%).

11. Property, plant and equipment

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost						
At 30 April 2017	156	1,049	24,227	43	6,525	32,000
Additions	188	254	1,502	–	979	2,923
Reclassification	–	–	6,525	–	(6,525)	–
Disposals	–	–	(213)	–	–	(213)
At 30 April 2018	344	1,303	32,041	43	979	34,710
Additions	–	608	6,640	–	294	7,542
Reclassification	101	–	878	–	(979)	–
Disposals	–	–	(2,084)	(43)	–	(2,127)
At 30 April 2019	**445**	**1,911**	**37,475**	**–**	**294**	**40,125**
Accumulated depreciation						
At 30 April 2017	59	345	4,659	23	–	5,086
Charge for the year	37	299	2,260	16	–	2,612
Impairment loss	–	–	2,502	–	–	2,502
Disposals	–	–	(213)	–	–	(213)
At 30 April 2018	96	644	9,208	39	–	9,987
Charge for the year	40	354	2,090	4	–	2,488
Impairment loss	–	–	–	–	–	–
Disposals	–	–	(1,609)	(43)	–	(1,652)
At 30 April 2019	**136**	**998**	**9,689**	**–**	**–**	**10,823**
Net book value						
At 30 April 2019	**309**	**913**	**27,786**	**–**	**294**	**29,302**
At 30 April 2018	248	659	22,833	4	979	24,723

The net book value of tangible fixed assets includes an amount of £4,450,000 (2018: £317,000) in respect of plant and machinery assets held under finance leases and £nil (2018: £nil) in respect of assets under construction held under finance leases.

Assets with a value of £29,302,000 (2018: £24,723,000) form part of the security against the bank facility as described in note 18.

12. Intangible assets

	Goodwill £'000	Customer relationships £'000	Order book £'000	Other £'000	Total £'000
Cost					
At 30 April 2017	14,982	20,427	86	40	35,535
Additions	–	–	–	–	–
At 30 April 2018	14,982	20,427	86	40	35,535
Additions	–	–	–	–	–
At 30 April 2019	**14,982**	**20,427**	**86**	**40**	**35,535**
Amortisation					
At 30 April 2017	–	5,707	86	–	5,793
Charge for the year	–	2,041	–	–	2,041
At 30 April 2018	–	7,748	86	–	7,834
Charge for the year	–	2,040	–	–	2,040
At 30 April 2019	**–**	**9,788**	**86**	**–**	**9,874**
Net book value					
At 30 April 2019	**14,982**	**10,639**	**–**	**40**	**25,661**
At 30 April 2018	14,982	12,679	–	40	27,701

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

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

Goodwill

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.

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 cashflow projections based on internal forecasts covering a five year period, reviewed by the Board. Cashflows beyond this period are extrapolated using the estimated growth rates stated in the key assumptions. The estimated value in use as at 30 April 2019 exceeds the carrying value by £4.9m.

Key assumptions

The pre-tax discount rate used in the value in use calculations is 14.0% (2018: 9.5%). This is derived from the Group's weighted average cost of capital and is calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information. The long-term growth rate assumed is 2% (2018: 2%).

Significant capital expenditure was incurred in FY19, partly due to a major upgrade programme of the Group's machinery. However, given this is mostly completed, it is assumed that reduced levels will be incurred going forward. The Group's share-based payment charge (estimated to be £1.9m in FY20) has been added back to cashflows given they are not considered a proxy to cash expense.

Management have based these cashflows on a basis which they believe is achievable and as the Group moves out of its turnaround phase. However, the Group's trading performance remains sensitive to a number of key variables, including parent reel pricing and the sterling/USD exchange rate, which could have a significant effect (positive or negative) on the Group's profitability. In particular, should sterling weaken significantly, profit recovery would need to be built on price increases. Without price increases a 1 cent worsening in the sterling/USD exchange rate has c£0.5m impact on operating profit.

Sensitivity to changes in assumptions

There are a range of reasonably possible changes to the assumptions, some of which may indicate a potential impairment. Specifically, detrimental changes to any of the key assumptions on the discount factor, terminal growth rate or EBIT performance could cause the carrying amount to exceed the recoverable amount.

Impairment would be caused by the following: increase in pre-tax discount rate by 1.0%, reduction in terminal growth rate by 1.5% and an average EBIT performance reduction of £1.8m per annum between FY21 and FY24. A combination of increasing the pre-tax discount rate by 0.5% and reducing the terminal growth rate by 0.8% results in an impairment.

Notwithstanding the above sensitivities, the Directors are satisfied that they have applied reasonable and supportable assumptions based on their best estimate of the range of future economic conditions that are forecast and consider that an impairment is not required in the current year, however the position will be monitored on a regular basis.

13. Inventories

	2019 £'000	2018 £'000
Raw materials	**7,301**	8,690
Finished goods and goods for resale	**3,861**	5,367
	11,162	14,057

Inventories recognised as an expense during the year and included in cost of sales amounted to £73,014,000 (2018: £86,629,000).

There are £781,000 provisions held against inventories (2018: £658,000).

14. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**20,996**	28,660
Less: provision for impairment of trade receivables	**(15)**	(815)
Trade receivables – net of provisions	**20,981**	27,845
Prepayments and other debtors	**2,076**	2,142
	23,057	29,987

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the current state of the economy and industry specific factors as the key macroeconomic factors in the countries where the Group operates.

15. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	**2,176**	431

16. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**11,107**	8,859
Social security and other taxes	**1,842**	788
Accruals and deferred income	**2,459**	3,515
Deferred government grant income	**578**	696
	15,986	13,858

Trade payables are non-interest bearing and are paid on average within 44 days at 30 April 2019 (2018: 21 days).

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

17. Provisions

	As at 1 May 2018 £'000	Utilised in the year £'000	Discount unwind £'000	As at 30 April 2019 £'000	Current £'000	Non-current £'000
Onerous contracts	3,164	(501)	48	**2,711**	571	2,140
	3,164	(501)	48	**2,711**	571	2,140

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

The non-current portion of the onerous contract provision is expected to be utilised in the following periods: years 1-2 (£503,000), years 2-5 (£1,406,000), and over 5 years (£231,000).

18. Borrowings

	2019 £'000	2018 £'000
Current		
Revolving credit facility	**1,636**	2,770
Factoring facility	**13,690**	18,677
Finance leases	**1,383**	223
	16,709	21,670
Non-current		
Revolving credit facility	**9,602**	11,455
Finance leases	**2,236**	304
	11,838	11,759

Finance costs incurred to arrange the revolving credit facility have been capitalised and are being amortised through interest payable. Unamortised finance costs at 30 April 2019 are £762,000 (2018: £775,000).

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

	2019 £'000	2018 £'000
Loan maturity analysis		
Within one year	**17,073**	21,900
Between one and two years	**11,438**	2,216
Between two and five years	**798**	10,088
After five years	**–**	–
	29,309	34,204

The following amounts remain undrawn and available:

	2019 £'000	2018 £'000
Revolving credit facility	**–**	1,000
Factoring facility	**1,203**	2,852
	1,203	3,852

The Group's bank borrowings are secured by way of fixed and floating charge over the Group's assets. As at 30 April 2019 this comprised property, plant and equipment of £29,302,000, inventories of £11,162,000 and trade receivables of £21,113,000.

HSBC revolving credit facility agreement ("Bank facility")

At 30 April 2019 the Group had drawn £12m against a revolving credit facility ("RCF"). The original £18m facility, dated 2 June 2016, was for a period of five years. The facility was amended and restated on 7 December 2017 and further amended on 19 January 2018, principally affecting financial covenant tests.
On 25 September 2018, revised covenants and amendments to the scheduled repayments were agreed. The revised facility is now as follows:

- 30 April 2019: £12m
- 30 April 2020: £10m

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

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

HSBC £23m factoring credit facility ("factoring facility")

The Group has a £23m multi-currency revolving credit facility to provide factoring financing for general working capital requirements. Under the terms of this facility the drawdown is based upon gross debtors less a retention (typically 15%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

Covenants

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

19. Financial instruments

Derivative financial instruments

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

Foreign currency contracts	**2019 £'000**	2018 £'000
Current assets	**50**	–
Current liabilities	**–**	(668)
	50	(668)

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 cashflows. The foreign currency swaps are designated as fair value through profit or loss at initial recognition. The fair value of the Group's foreign currency derivatives is calculated as the difference between the contract rates and the mark to market rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each year end is categorised as a Level 2 valuation (see below).

At 30 April 2019 the notional principal amount of the outstanding derivative contracts that are held to hedge the Group's transaction exposures was £5,704,000. Cashflows in respect of these contracts are due within 12 months of the reporting date.

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

Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

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

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

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

19. Financial instruments continued

Fair values

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

	Fair values and carrying values	
	2019 £'000	2018 £'000
Financial assets		
Current		
Trade receivables	**20,981**	27,845
Cash and short-term deposits	**2,176**	431
Derivative financial instruments	**50**	–
Financial liabilities		
Current		
Borrowings	**16,709**	21,670
Trade and other payables	**15,986**	13,858
Derivative financial instruments	**–**	668
Non-current		
Borrowings	**11,838**	11,759

20. Capital and financial risk management objectives and policies

(a) Capital risk management

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

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

	2019 £'000	2018 £'000
Total borrowings (excluding finance fees)	**29,304**	34,204
Less: cash and cash equivalents	**(2,176)**	(431)
Net debt	**27,128**	33,773

(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 re-performing the calculations used to determine the balance sheet values assuming a 1% strengthening of Sterling:

	2019 £'000	2018 £'000
Euro – loss	**–**	–
USD – loss	**(57)**	(97)
	(57)	(97)

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

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

	2019 £'000	2018 £'000
Change in interest rate	**128**	168

(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 cashflows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves.

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

As at 30 April 2019	**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	**17,073**	**11,438**	**798**	**–**	**29,309**
Trade and other payables	**15,986**	**–**	**–**	**–**	**15,986**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Total financial liabilities	**33,059**	**11,438**	**798**	**–**	**45,295**

As at 30 April 2018	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	21,900	2,216	10,088	–	34,204
Trade and other payables	13,858	–	–	–	13,858
Derivative financial instruments	668	–	–	–	668
Total financial liabilities	36,426	2,216	10,088	–	48,730

(iv) Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables. 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.

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

The Group manages credit risk by allocating customers a credit limit and ensures the Group's exposure is within this limit. This approach is strengthened with the use of credit insurance where deemed appropriate.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the four year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

At 30 April 2019 the lifetime expected loss provision for trade receivables is as follows:

	<1 month	1-2 months	2-3 months	>3 months	Total
Expected loss rate	0%	5%	15%	30%	
Gross carrying amount of overdue debt (£000)	50	39	1	42	132
Loss provision (£000)	–	2	–	13	15

20. Capital and financial risk management objectives and policies continued

(b) Financial risk management continued

(iv) Credit risk continued

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

	2019 £'000	2018 £'000
At the beginning of the year	**(815)**	(85)
Impairment losses recognised	**–**	(380)
Impairment losses recognised – Turnaround and Operational	**–**	(350)
Utilisation of provision	**800**	–
	(15)	(815)

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

21. Commitments and contingencies

Operating lease commitments

The Group has operating leases in place on a number of business premises. These leases have durations between 10 and 15 years. There are no restrictions placed upon the Group by entering into these leases. The lease expenditure charged to the income statement during the year is disclosed in note 5.

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

	2019 £'000	2018 £'000
Within 1 year	**3,773**	3,508
Between 1 and 2 years	**3,773**	3,773
Between 2 and 5 years	**9,571**	10,229
Greater than 5 years	**5,300**	8,031
	22,417	25,541

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:

	2019 £'000	2018 £'000
Within 1 year	**1,541**	224
Between 1 and 2 years	**1,516**	244
Between 2 and 5 years	**812**	96
	3,869	564
Future finance charges	**(250)**	(37)
Present value	**3,619**	527

The present value of finance lease liabilities is as follows:

	2019 £'000	2018 £'000
Within 1 year	**1,383**	223
Between 1 and 2 years	**1,439**	216
Between 2 and 5 years	**797**	88
	3,619	527

Capital commitments

	2019 £'000	2018 £'000
Contracted for but not provided	**341**	3,611

22. Share capital and reserves

	2019 £'000	2018 £'000
Called up, allotted and fully paid		
Ordinary shares of £0.001 each	**195**	129
	195	129

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

	2019 Number	2018 Number
Ordinary shares of £0.001 each	**195,246,536**	129,012,002

On 1 June 2018, 53,333,334 £0.001 ordinary shares were issued and on 8 June 2018 a further 12,901,200 ordinary shares of £0.001 were issued. Transaction costs of £686,000 were incurred in relation to the above share issues.

23. Dividends

The Company did not pay an interim dividend (2018: £nil).

The Directors do not propose to pay a final dividend (2018: £nil).

The total dividend for the year is therefore £nil (2018: £nil).

24. Related party disclosures

(a) Identity of related parties

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 converter	United Kingdom	100%

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

Phoenix Court Blackburn Limited is a company under the control of the Hussain family (7.2% shareholding) that provides commercial premises for letting. Purchases in the year to 30 April 2019 were £1,872,000 (2018: £1,751,000).

As at 30 April 2019 and 30 April 2018, no amounts are owed to/from related parties.

Terms and conditions of transactions with related parties

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

(b) Directors' emoluments

	2019 £'000	2018 £'000
Short term employment benefits	**827**	919
Termination benefits	**–**	260
Post employment benefits	**11**	–
Share based payments	**1,109**	(196)
	1,947	983

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2018: £nil). The aggregate amount of emoluments paid to the highest paid Director was £458,000 (2018: £423,000).

(c) Key management personnel

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

(d) Company transactions with its subsidiaries

The Company received dividends from its subsidiaries during the year of £nil (2018: £nil). The Company charged management fees to its subsidiaries during the year of £nil (2018: £1,049,000).

25. Share based payments

Description of share option schemes

The Group created a Management Incentive Plan in the year, namely the Accrol Group Holdings plc Unapproved Share Option Plan ("MIP"). The MIP provides for the grant, to eligible employees, of options to acquire shares in the Company at a nominal exercise price. The contractual life of the options is 10 years. Eligible employees are determined at the discretion of the Remuneration Committee. Further details of the MIP are provided in the Directors' Remuneration Report on pages 39 to 42.

Awards made in the year

On 24 August 2018, 32,350,500 options were granted ('Option 1', 'Option 2' and 'Option 3').

On 28 January 2019, 1,405,353 options originally allocated on 24 August 2018 were reallocated to other employees ('Additional Option 1').

On 9 April 2019, 3,887,972 options originally allocated on 24 August 2018 were reallocated to other employees ('Additional Option 2', 'Bonus Option 2' and 'Additional Option 3').

As at 30 April 2019 all options granted remain unexercised.

Terms and conditions of the share options schemes

The share options granted are subject to the achievement of certain Adjusted EBITDA performance conditions as disclosed further in the Remuneration Report on page 42.

In addition, vested shares are subject to a hold condition, whereby 70% can be exercised on vesting and the remaining 30% can only be exercised from the one-year anniversary of original vesting.

Input for measurement of grant date fair values

The grant date fair values of the share options are measured based on the Black-Scholes model. The expected volatility has been calculated using historical share price data over a term commensurate with the expected terms of the awards (or for the term of available share price history, if shorter). The inputs used in measuring the fair value of the current year share option grants were as follows:

	Option 1	Option 2	Option 3	Additional Option 1	Additional Option 2	Bonus Option 2	Additional Option 3
FV at grant date (p)	18.9	18.9	18.9	22.2	21.9	21.9	21.9
FV at grant date – hold period (p)	17.4	17.6	17.6	17.8	18.6	18.6	18.4
Share price at grant date (p)	19.0	19.0	19.0	22.3	22.0	22.0	22.0
Exercise price (p)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expected volatility	34%	29%	29%	94%	68%	68%	52%
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	0.73%	0.74%	0.83%	0.78%	0.78%	0.78%	0.79%

Income statement charge

The share based payment charge for the year was £1,316,000 (2018: credit of £196,000), all of which relates to equity-settled awards.

Movements in share options

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

in thousands of shares	Option 1	Option 2	Option 3	Additional Option 1	Additional Option 2	Bonus Option 2	Additional Option 3
In issue as at 1 May 2018	–	–	–	–	–	–	–
Granted in the year	12,910	10,604	8,836	–	–	–	–
Reallocated in the year	(1,405)	(2,121)	(1,767)	1,405	1,721	400	1,767
Exercised in the year	–	–	–	–	–	–	–
Lapsed in the year	–	–	–	–	–	–	–
In issue as at 30 April 2019	**11,505**	**8,483**	**7,069**	**1,405**	**1,721**	**400**	**1,767**
Exercisable as at 30 April 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The total number of share options outstanding as at 30 April 2019 was 32,350,500.

26. Events after the balance sheet date

There are no adjusting or non-adjusting events subsequent to the year end.

27. Contingent liabilities
In January 2019, the Financial Conduct Authority (the "FCA") notified Accrol that it had commenced an investigation into the Company relating to certain statements that it made to the market between 1 April 2017 and 20 November 2017. Subsequently, in March 2019, the Company was notified that the period under investigation had been revised to cover 10 June 2016 to 30 September 2018.

As at the reporting date, given the early stage of the investigation, it is not possible to quantify reliably any potential fine on the Company as a result of this investigation, therefore no provision in respect of this matter has been made in these financial statements.

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

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

	2019 £'000	2018 £'000
Loss attributable to shareholders	**(11,748)**	(19,963)
Adjustment for:		
Amortisation	**2,040**	2,041
Turnaround and Operational costs	**7,906**	12,879
Share based payments	**1,316**	–
Tax effect of adjustments above	**(2,140)**	(2,835)
Adjusted loss attributable to shareholders	**(2,626)**	(7,878)

	Number '000	Number '000
Basic weighted average number of shares	**189,192**	106,820
Dilutive share options	**–**	–
Diluted weighted average number of shares	**189,192**	106,820

	pence	pence
Basic adjusted earnings per share	**(1.4)**	(7.4)
Diluted adjusted earnings per share	**(1.4)**	(7.4)

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

Consolidated income statement

	2019 £'000	2018 £'000
Adjusted EBITDA		
Operating (loss)/profit	**(12,742)**	(23,356)
Adjusted for:		
Depreciation	**2,488**	2,612
Amortisation	**2,040**	2,041
Turnaround and Operational costs	**7,906**	12,879
Share based payments	**1,316**	–
Adjusted EBITDA	**1,008**	(5,824)

	2019 £'000	2018 £'000
Adjusted Gross Profit		
Gross Profit	**17,552**	24,506
Adjusted for:		
Turnaround and Operational costs	**4,164**	–
Adjusted Gross Profit	**21,716**	24,506
Revenue	**119,111**	139,738
Adjusted Gross Margin	**18.2%**	17.5%

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	6	**19,534**	41,437
Total non-current assets		**19,534**	41,437
Current assets			
Trade and other receivables	7	**30,408**	21,001
Cash and cash equivalents		**1**	287
Total current assets		**30,409**	21,288
Total assets		**49,943**	62,725
Current liabilities			
Trade and other payables		**–**	–
Total current liabilities		**–**	–
Total assets less current liabilities		**49,943**	62,725
Net assets		**49,943**	62,725
Capital and reserves			
Share capital	8	**195**	129
Share premium		**68,015**	58,832
Capital redemption reserve		**27**	27
Retained earnings		**(18,294)**	3,737
Total equity shareholders' funds		**49,943**	62,725

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Company is not presented with these financial statements. The Company recorded a loss for the year of £23,128,000 (2018: loss of £454,000).

The financial statements were approved by the Board of Directors on 3 September 2019.

Signed on behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer

Company Registration Number 09019496

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 April 2017 and at 1 May 2017		93	41,597	27	7,911	49,628
Transactions with owners						
Proceeds from shares issued	8	36	17,964	–	–	18,000
Transaction costs		–	(729)	–	–	(729)
Dividends		–	–	–	(3,720)	(3,720)
Total for transactions with owners		36	17,235	–	(3,720)	13,551
Comprehensive income						
Loss for the year		–	–	–	(454)	(454)
Total comprehensive loss		–	–	–	(454)	(454)
Balance at 30 April 2018		129	58,832	27	3,737	62,725
Transactions with owners						
Proceeds from shares issued	8	66	9,869	–	–	9,935
Transaction costs		–	(686)	–	–	(686)
Share based payments		–	–	–	1,097	1,097
Total for transactions with owners		66	9,183	–	1,097	10,346
Comprehensive income						
Loss for the year		–	–	–	(23,128)	(23,128)
Total comprehensive loss		–	–	–	(23,128)	(23,128)
Balance at 30 April 2019		**195**	**68,015**	**27**	**(18,294)**	**49,943**

NOTES TO THE COMPANY FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 APRIL 2019

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

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

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

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

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

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:
- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share based payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:

  (i) paragraph 79(a)(iv) of IAS 1;

  (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';

  (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1 'Presentation of Financial Statements':

  (i) 10(d) (statement of cashflows);

  (ii) 16 (statement of compliance with all IFRS);

  (iii) 38A (requirement for minimum of two primary statements, including cashflow statements);

  (iv) 38B-D (additional comparative information);

  (v) 111 (cashflow statement information); and

  (vi) 134-136 (capital management disclosures);
- IAS 7 'Statement of Cashflows';
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

Standards issued not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2019 reporting period and have not been early adopted by the Company. The Company will undertake an assessment of the impact of the following new standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of application when the relevant standards come into effect.

- Amendments to IFRS 1 'First-time adoption of IFRS' regarding short term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2019)
- IFRS 16 'Leases' (effective 1 January 2019)
- Amendments to IAS 19 'Employee benefits' Plan amendment, curtailment or settlement (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax' (effective 1 January 2019)
- Annual Improvements 2015-2017 (effective 1 January 2019)

Assessment of new standards – current year
IFRS 9 'Financial Instruments'
This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has applied the expected credit loss model to calculate impairment losses on intercompany loans, in particular a loan of c£21m with an intermediate holding company that does not have means of repayment on a standalone basis. In this scenario, the loan is classed as stage 3 and the lifetime expected credit losses are calculated that result from all possible default events over the expected life of the loan. The Company has considered cashflow forecasts over the expected life of the loan, including those from other Group companies, and has concluded that no impairment is required.

Going concern
The going concern status of the Parent Company is intrinsically linked to the success of the Group, which, as disclosed in note 2 of the Consolidated Financial Statements, is dependent on certain key assumptions being achieved.

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

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 either amortised cost, fair value through comprehensive income or fair value through profit or loss depending on the purpose for which the asset was acquired. The Company currently has assets classified as amortised cost.

Amortised cost
Assets classified as amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables from Group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise receivables from Group undertakings and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents comprise cash at bank.

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

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

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

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

4. Turnaround and Operational costs

	2019 £'000	2018 £'000
Reorganisation and restructure	–	417
	–	417

5. Directors' emoluments

	2019 £'000	2018 £'000
Short term employment benefits	**827**	919
Termination benefits	**–**	260
Post employment benefits	**11**	–
Share based payments	**1,109**	(196)
	1,947	983

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2018: £nil). The aggregate amount of emoluments paid to the highest paid Director was £458,000 (2018: £423,000). The Company does not have any employees (2018: £nil).

6. Investments in subsidiaries

	Group undertakings £'000
Cost	
30 April 2018	41,437
Additions in the year in respect of Share based payments	1,097
Impairment charge recognised in the year	(23,000)
30 April 2019	**19,534**

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

The impairment charge relates to the Company's investment in Accrol UK Limited and has been included in the result for the year. The resulting carrying value is consistent with the Group's estimated value in use.

7. Trade and other receivables

	2019 £'000	2018 £'000
Prepayments	**13**	10
Amounts owed by Group undertakings	**30,395**	20,991
	30,408	21,001

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

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

	2019 £'000	2018 £'000
Ordinary shares of £0.001 each	**195**	129
	195	129

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

	Number	Number
Ordinary shares of £0.001 each	**195,246,536**	129,012,002

On 1 June 2018, 53,333,334 £0.001 ordinary shares were issued and on 8 June 2018 a further 12,901,200 ordinary shares of £0.001 were issued. Transaction costs of £686,000 were incurred in relation to the above share issues.

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

9. Dividend payable
The Company did not pay an interim dividend (2018: £nil).

The Directors do not propose to pay a final dividend (2018: £nil).

The total dividend for the year is therefore £nil (2018: £nil).

10. Dividend receivable
Dividends received by the Company from its subsidiaries in the year were £nil (2018: £nil).

COMPANY INFORMATION

Directors
Daniel Wright (Executive Chairman)
Gareth Jenkins (Chief Executive Officer)
Euan Hamilton (Independent Non-Executive Director)
Simon Allport (Independent Non-Executive Director)

Secretary
Richard Almond

Registered office
Delta Building
Roman Road
Blackburn
Lancashire
BB1 2LD

Registered number
09019496

Share capital
The Ordinary share capital of Accrol Group Holdings 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 the SEDOL number is BZ6VT59.

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
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3 Hardman Street
Spinningfields
Manchester
M3 3AT

Nominated adviser and broker
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Manchester
M2 4WQ

10 Old Burlington Street
London
W1S 3AG

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EC2M 7EE

Design and Production
www.carrkamasa.co.uk

ckd

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Galerie Satin, a paper sourced from well managed, responsible, FSC® certified forests and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process

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