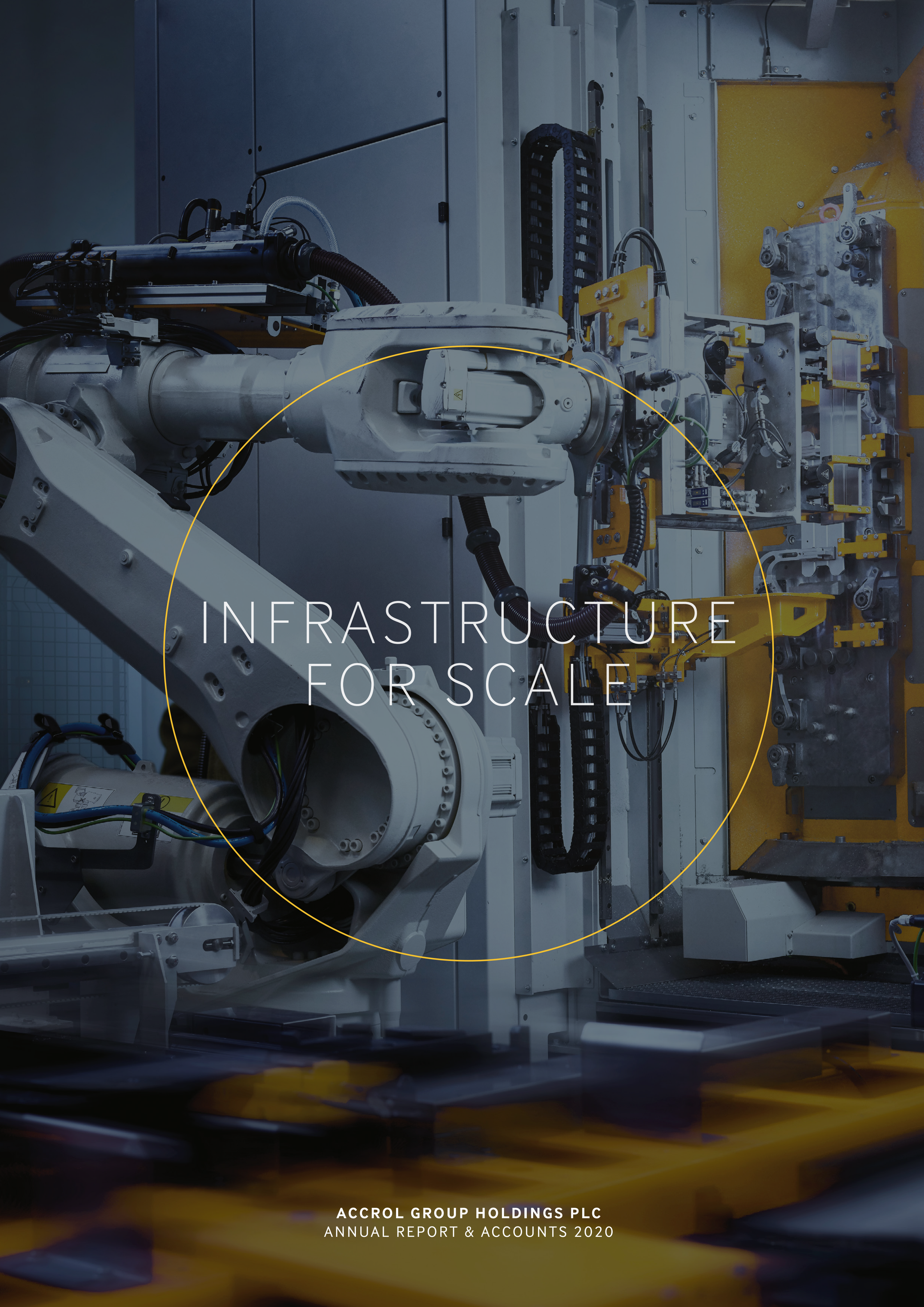


INFRASTRUCTURE FOR SCALE

ACCROL GROUP HOLDINGS PLC
ANNUAL REPORT & ACCOUNTS 2020

As the full benefits of the turnaround and the simplification of the business drop to the bottom line, we are able to turn our attention to strengthening and broadening the business further, to create a diversified business of size and scale, which delivers substantial shareholder returns.

HIGHLIGHTS

£17.6M
Cost base reduction
(2019: £0.4m)
Since 2018: 37% reduction

22.7%
Gross margin
(2019: 14.7%)
Since 2018: 25% increase

22%
Toilet tissue revenue
(2019: £84.8m)
Since 2018: 36% increase

£10.6M
Adjusted EBITDA
(2019: £1.0m)
2018: loss £(5.8)m

£133.6M
Core product revenue
(2019: £116.7m)
(2018: £115.3m)

£17.9M
Adjusted net debt
(2019: £27.1m)
(2018: £33.8m)

243%
Output capacity (pallets produced per day)
Since 2018

36.9%
Increase in output
Since 2018

THE ACCROL FIVE YEAR PLAN

Hearts & minds
Page **10**

Markets for growth
Page **12**

World-class basics
Page **14**

Sustainable platform
Page **16**

Future perfect
Page **18**

ACCROL

Who we are

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

Our vision

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

Our growth strategy is simple: take market share from established brands by providing consumers with the best-value products and our customers with great service, whilst ensuring we are the lowest cost operator.

OUR VALUES

Find out more
Hearts & minds **10**

01 Strategic Report

02 Governance

03 Financial Statements

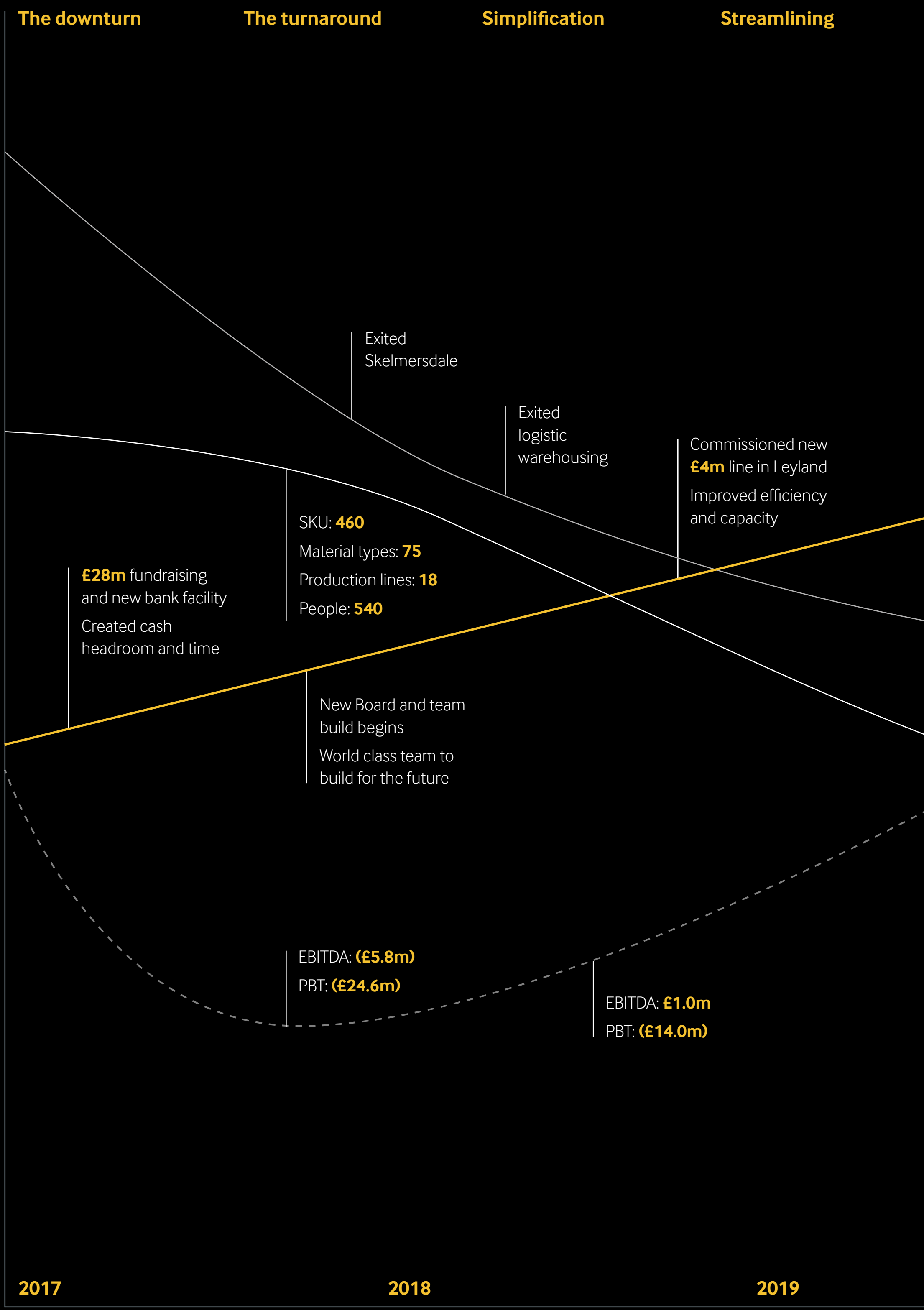
The turnaround

THE TURNAROUND COMPLETED

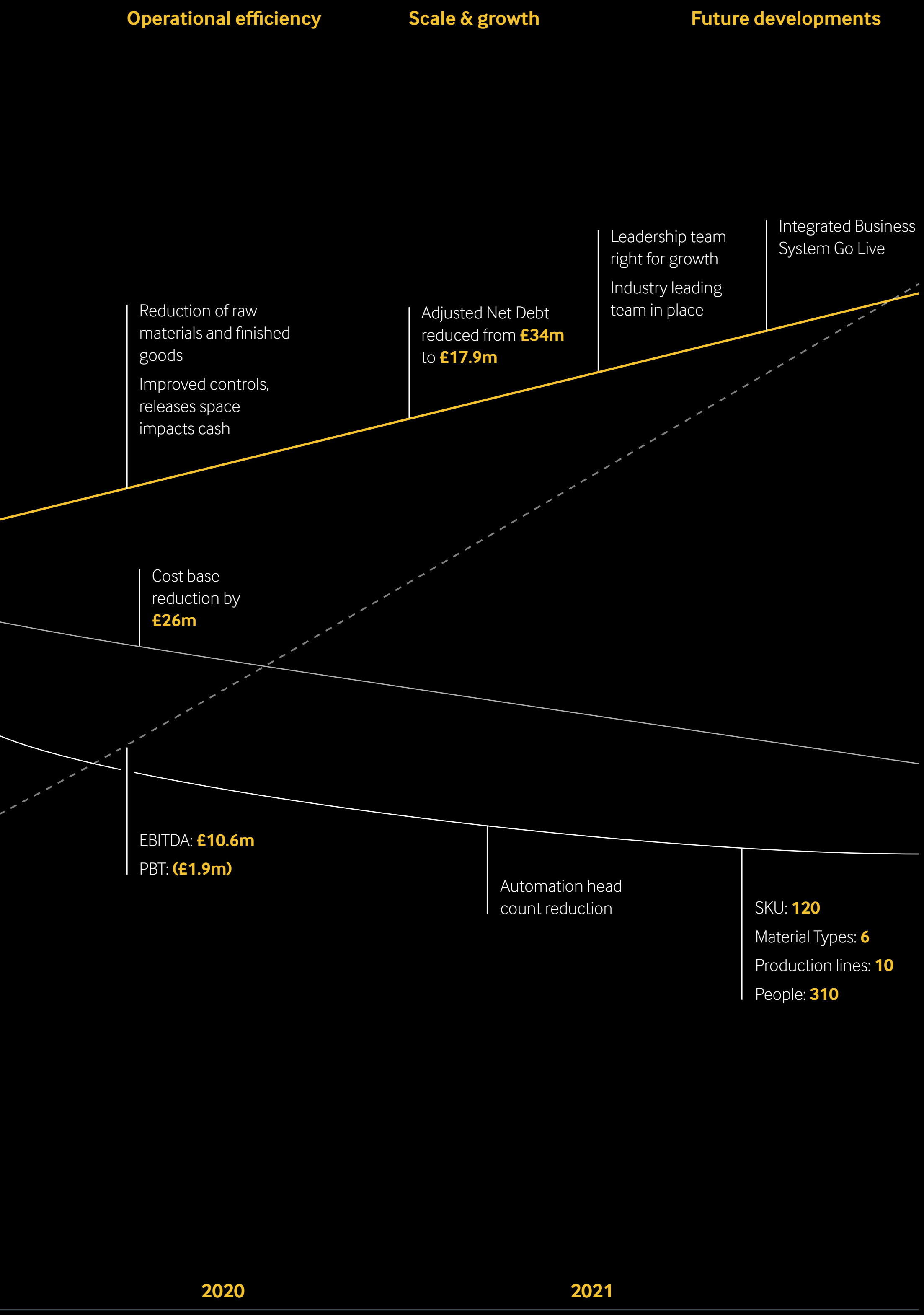
THE TURNAROUND

Separately Disclosed Items
The turnaround of the Group was completed during the year and the organisation is in a much stronger position than ever before. The final costs incurred in the turnaround totalled £1.0m and losses on FX contracts no longer needed totalled £0.6m. The Board believes that reporting an adjusted EBITDA, after removing these "separately disclosed items" incurred to support the final part of the turnaround, best reflects the underlying performance of the business which forms the basis of future forecasts. The costs incurred by the Group have been carefully evaluated and ascribed to certain classification as detailed below:

Operational reorganisation and restructure £856,000 (2019: £872,000)
The current year saw the final stages of the complex and comprehensive turnaround activities completed. This included costs associated principally with additional labour and material costs, as legacy performance issues were corrected. The business undertook a full review of the products the site manufactured and the way it was planned, an assessment of the leadership capabilities and reassignment, a skills assessment and training programme, maintenance regimes and a capital investment plan for key upgrades. Transportation and storage costs of £108,000 were also incurred in supporting these actions.



Key
— Cost base
— Simplification
— Creating a platform for growth (cash and people)
- - EBITDA & PBT



Loss on derivative financial instruments £639,000 (2019: £nil)

Costs of £639,000 were recorded in the period as the business experienced significant positive changes to its supplier terms as a result of improved trading / turnaround actions. This happened much quicker than expected, giving an excess of contract requirements which were subsequently cancelled.

COVID-19 £209,000 (2019: £nil)

The Group incurred incremental costs in March and April, principally relating to overtime and temporary labour of £119,000, to cover employees who were in isolation. Additional logistics, PPE, cleaning and security costs of £90,000 were also incurred.

FCA investigation legal costs £125,000 (2019: £179,000)

As previously disclosed, the FCA initiated an investigation into statements made by the Company between 10 June 2016 and September 2018. Significant consultancy and legal costs associated with the management of this investigation have been incurred, but the Group is pleased to confirm that the FCA have closed their investigation with no action to be taken.

Management reorganisation and restructure £118,000 (2019: £724,000)

In the early part of the current financial year, final dual resourcing and legal costs of £118,000 were incurred as activities relating to financial planning/reporting and procurement, started in the prior year, were concluded.

Other income

Also, in the period the business benefited from the disposal of fixed assets in the normal course of operating business, delivering a gain of £0.6m which forms part of the reported adjusted EBITDA for the year. In future periods we anticipate ongoing disposals of fixed assets as part of normal operating business to enable deployment of new machine technologies.

Building infrastructure for scale

CHAIRMAN'S STATEMENT

The team at Accrol has delivered a strong set of results, demonstrating an improving performance as the year progressed and the successful turnaround was concluded. Margins have continued to recover to historical levels, delivering Adjusted EBITDA for the year, after the adoption of IFRS 16, of £10.6m, comfortably ahead of consensus market expectations.

Core revenue continued to strengthen, reaching a record level of £133.6m, and the Group exited FY20 with incrementally improving run rates. The Group increased its share of the total tissue market during the year by circa 6.5% from 12.3% to 13.1%, with the total market growing at 7.7% in the Period. We believe the consumer push for value will be boosted in the COVID-19 shake-out, as consumers seek greater value, as demonstrated in the last recession which prompted a significant move away from higher cost brands.

As the full benefits of the turnaround and the simplification of the business drop to the bottom line, we are able to turn our attention to strengthening and broadening the business further, to create a diversified business of size and scale, which delivers substantial shareholder returns. Our relentless drive for efficiency, however, is unabated and we will continue to set ourselves challenging improvement targets to ensure that the business never again becomes complacent.

Results

Total revenue in FY20 was c.£134.8m, with core revenues increasing by 14.5% to £133.6m (FY19: £116.7m), compared with overall market growth of circa 8%. Gross margin improved by 49% to 21.9% (FY19 14.7%). Adjusted EBITDA, following the adoption of IFRS 16 as detailed in the Financial Review, was £10.6m (£8.3m pre-IFRS 16). Adjusted net debt continued to reduce ahead of market expectations, ending the Period at £17.9m, compared with £24.8m at 31 October 2019, £27.1m at 30 April 2019, and £33.8m at 30 April 2018.

Daniel Wright Executive Chairman

New banking arrangements

The Company has recently improved and extended its banking facilities to August 2023, providing greater accessibility, flexibility, and headroom for the business, as it pursues its growth strategy.

Simplify, Strengthen and Grow

Our vision is to build a diversified Group of size and scale, which is less exposed to input cost fluctuations and is focused on the broader private label personal hygiene and household products markets.

Find out more

Business Model	**06**
Accrol Five Year Plan	**08**
Governance	**38**

Our focus in the year under review was on increasing production capacity, normalising continuous improvement processes, managing foreign exchange challenges, growing both new and existing customers and preparing for the switch to a new IT system, which went live in July 2020 and has transitioned successfully. The considerable achievements of our outstanding team are detailed in the CEO's Review, but it is important to note that each of these actions, which were completed on budget and to timetable, have strengthened the business and pave the way for the next stage of Accrol's growth.

Our focus going forward is to increase capacity and diversify the business. We have a five-year road map in place, which covers our people, the markets in which we intend to compete, the operational excellence standards we have set and expect, the responsibility and actions we are taking in our environment and the future-perfect vision we have for the Group. Details of the plan are available in the FY20 Investor Presentation on the Group's website www.accrol.com and in this Annual Report, on pages 10 to 19. We believe that the personal hygiene and household products markets present exciting growth opportunities. It is currently dominated by branded products, with a high price to value ratio, and we have identified significant potential to extend our consumer value philosophy to all essential, daily-use tissue products.

Within our existing market there are further opportunities to increase our market share, through greater penetration of the luxury tissue segment. We have already made good progress on this, supported by the strength of our relationships with existing customers, coupled with successful R&D in tissue material and processes.

We are confident that we can successfully expand in these areas through a mix of R&D and selective acquisition.

I would like to take this opportunity to thank all my colleagues across the business for their unremitting hard work and commitment.

Dividend

Whilst the Board is not proposing a final dividend for FY20, should the Group's improving financial performance continue on its current and expected trajectory the recommencement of dividend payments is likely in the medium term.

Our people

People are key to us achieving our ambitions, and, during the year, we have continued to strengthen the team below senior management, adding further strength in depth, and increasing skill levels across the Group. It is our intention to strengthen the senior team further in the near-term, with the appointment of a Chief Financial Officer to the Board.

We value all our people and strive to demonstrate this in actions rather than words. As part of the turnaround process, wage levels have been improving throughout the business. At 30 April 2018, the percentage of employees on or above the Real Living Wage, as defined by the Living Wage Foundation, was just 35%. By 30 April 2020, this had risen to 94% and our intention is to reach 100% by October 2020.

As automation of the business progresses, higher skills will be required. We are building a highly capable workforce and plan to implement a new grading structure later in the year, which will clearly define responsibility, skills and reward and provides a highly visible career path within the Group to attract and retain more skilled and talented people.

COVID-19

The management team took rapid and timely steps to protect the Group's people and the business in February, as information began to flow through from China and Europe:

- All at risk employees were self-isolated at home from 20 February 2020;
- Social distancing was implemented for factory-based employees;
- Increased cleansing facilities and protocols were established across all sites;
- All office-based staff were moved to working from home at lockdown; and
- Temperature checks and questionnaires are completed at every entry point.

I would like to take this opportunity to thank all my colleagues across the business for their unremitting hard work and commitment. They have performed exceptionally throughout the COVID-19 crisis and delivered against particularly demanding schedules created by panic buying during the early stages of the lockdown period.

We are not complacent and remain highly vigilant, reviewing and updating our strict COVID-19 procedures daily to ensure the ongoing health of our team and the business. The confidence of the organisation continues to flourish under the strong leadership of our senior management team and its clear focus. I very much look forward to working with the whole team as we enter an exciting growth phase of our development.

Environmental, Social & Governance ("ESG")

Whilst there is increasing governmental, investor and media attention on ESG, I am proud to say that ESG is genuinely important to us at Accrol. It is an integral part of our improvement programme and has been a key element since the early days of the turnaround. We believe that protecting the environment is an essential driver in our business and we consider it our duty to ensure that our environmental impact is reduced year on year. It is our intention to source all the energy needed for our sites from renewables in the short to mid-term, as we continue our drive towards zero emissions. We are also exploring an opportunity to substantially reduce our transport requirements, which impact our carbon footprint significantly.

Equally important is creating a sustainable, skilled workforce. Despite the financial challenges which have faced the business during the turnaround, we have never lost our focus on our people and have made significant improvements on job security and remuneration. There is, undoubtedly, more to do but the recent results from our Employee Engagement Survey show outstanding levels of engagement once again, with 91% of employees stating they are proud to work for Accrol. In this year's Annual Report, we will address the Gender Pay Gap performance of our business. Interestingly, this shows that women at Accrol are paid more on average. While this may seem pleasing on the surface, our aim is to ensure underlying equality in the results.

We have already successfully broadened our customer base, and this is expected to continue over the next 12 months to include the vast majority of major UK grocery retailers.

Find out more

Environmental, Social & Governance **26**

We are proud of what we have achieved so far, but our culture is for relentless improvement, which applies to all aspects of the business. I look forward to reporting on our progress next year.

FCA investigation closed

As reported on 20 January 2020, the Company was notified by the FCA that it had closed its investigation and was not taking any action. Further details are in Note 6 to the accounts.

Current trading and outlook

The Group entered the new financial year in a stronger position than ever before. We are looking to the future with confidence, as we build on the firm foundations created during the turnaround, to build a larger and sustainable growth business in a rapidly expanding market.

We have already successfully broadened our customer base, and this is expected to continue over the next 12 months to include the vast majority of major UK grocery retailers. Accrol remains unique with its broad customer base in its ability to benefit across all revenue streams wherever they materialise.

The Group continues to perform well and is on track to meet market expectations for FY21, despite some fluctuations in consumer shopping habits creating a short-term reduction in discounter volumes in Q1 FY21, as detailed in the CEO's Review. Whilst mindful of the ongoing risks of COVID-19, the Board is confident in the prospects for the Group and its ability to capitalise on opportunities in both its core markets, and the wider new personal hygiene and household sector.

Daniel Wright
Executive Chairman

2 September 2020

Building foundations for growth

OUR BUSINESS MODEL & STRATEGY

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.

BUSINESS MODEL

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 vision is to build a diversified Group of size and scale, which is less exposed to input cost fluctuations and is focused on the broader private label household and personal hygiene market. Our growth strategy is simple: take market share from established brands by providing consumers with the best-value products and our customers with great service, whilst ensuring we are the lowest cost operator. We do this by: employing the best people; operational excellence; relentless focus on cost; consistent quality; and having a broad customer base.

OUR FOCUS ON OPERATIONAL EFFICIENCY

Business model

Our growth strategy

EMPLOYING THE BEST PEOPLE

OPERATIONAL EXCELLENCE

RELENTLESS FOCUS ON COST

CONSISTENT QUALITY

A BROAD CUSTOMER BASE

What we've done	What we will do next
We have continued to hire talent into the business in key leadership and front-line positions. We hire people with the right mindset and behaviours, rather than just industry skills and knowledge, as we focus the business on living our Values and operating a 'One Accrol'. The way people lead and act with consistency is vital.	We will continue our focus on developing employees' capability through personal development plans. A new Company-wide operational grading structure, launched in late FY20, provides a clear route for all frontline employees to improve their skillsets and progress through the business.
Efficiency levels continued to rise through FY20, driven by reliable capacity, increased levels of shift communication structure and our hourly performance management system. Customer service was improved further through better material control, optimised production planning and synchronised by a streamlined logistics operation.	As we move into a new business systems environment, employing seamlessly integrated, state of the art ERP, WMS & EDI software, which went live in July 2020, we expect to see improvements across all areas of the Group.
We aim to be the lowest cost operator in everything we do – this is delivered through simplification, and a relentless approach to costs. We have optimised shift patterns in our warehouse operations. We have streamlined our supplier base, building value-based partnerships and generating mutual cost benefits by leveraging increased volumes.	The data and information from our new integrated business systems will give us increased visibility and allow us to better identify and rectify inefficiencies in the business. The leadership group will continue to review waste in all parts of the organisation with further automation planned to reduce costs further in FY21.
We have improved control over our materials supply. During FY20 we realigned our supply base to ensure we are working with the best suppliers with the right technology and skills to meet our expectations. We also focused on our internal equipment, process setting accuracy from run to run and the quality of the finished goods – that will set the standard in the industry.	We will continue to develop existing raw material grades, using our suppliers' knowledge, our own laboratories and our internal research and development capabilities. Key to this development work is understanding the consumer needs. Combining these insights with our Customers' product and commercial aims will allow us to develop high quality products that meet the required expectations.
Over the last two years Accrol has continued to change its Customer profile to focus on all retailers in the UK. In FY20 we have won further new business and extended our customer base. The own brand market continues to grow and we believe we are well positioned to take advantage of future growth opportunities across the product mix of toilet roll, kitchen towels and facial tissues. We maintain a strategy of no one customer being greater than c20% of revenue.	We will continue to build relationships with our existing Customer base, with the aim of becoming strong category leaders with all. Our job is to help our Customers sell more and we are designing and developing our business to achieve this. We also have a very clear intention to increase our customer base to include all the major retailers in the UK. The recent pandemic highlighted limitations of sole supply arrangements. Accrol is well positioned to benefit from new opportunities which arise, as retailers seek to resolve this issue.

COMMITTED TO CREATING TANGIBLE LONG-TERM VALUE

Our five year plan
Pages **08 to 19**

Our stakeholders
Pages **24 to 25**

Responsible and sustainable business
Pages **26 to 27**

Performance review
Pages **20 to 23**

Key performance indicators
Pages **28 to 29**

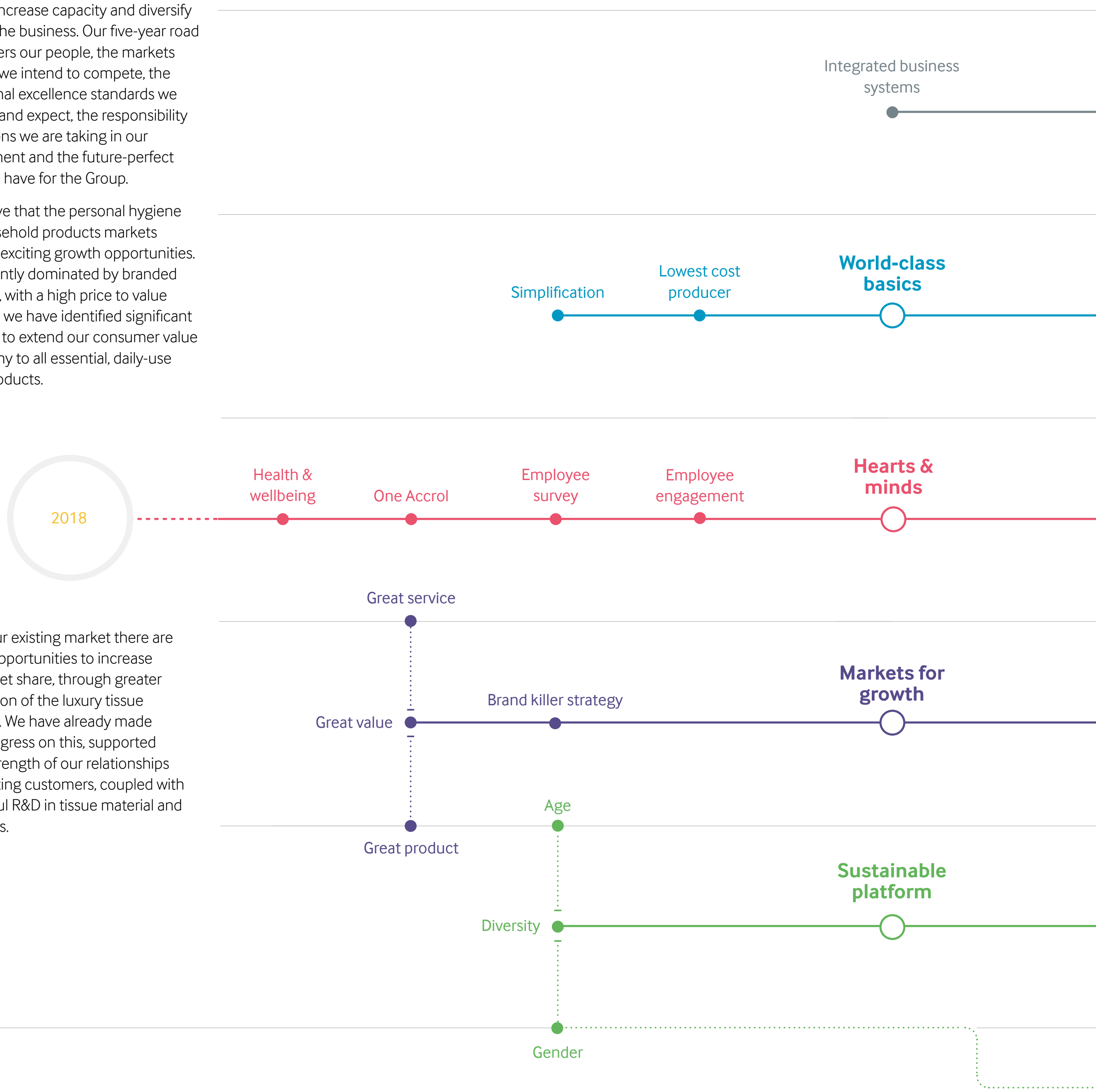
Foundations for scale

THE ACCROL FIVE YEAR PLAN

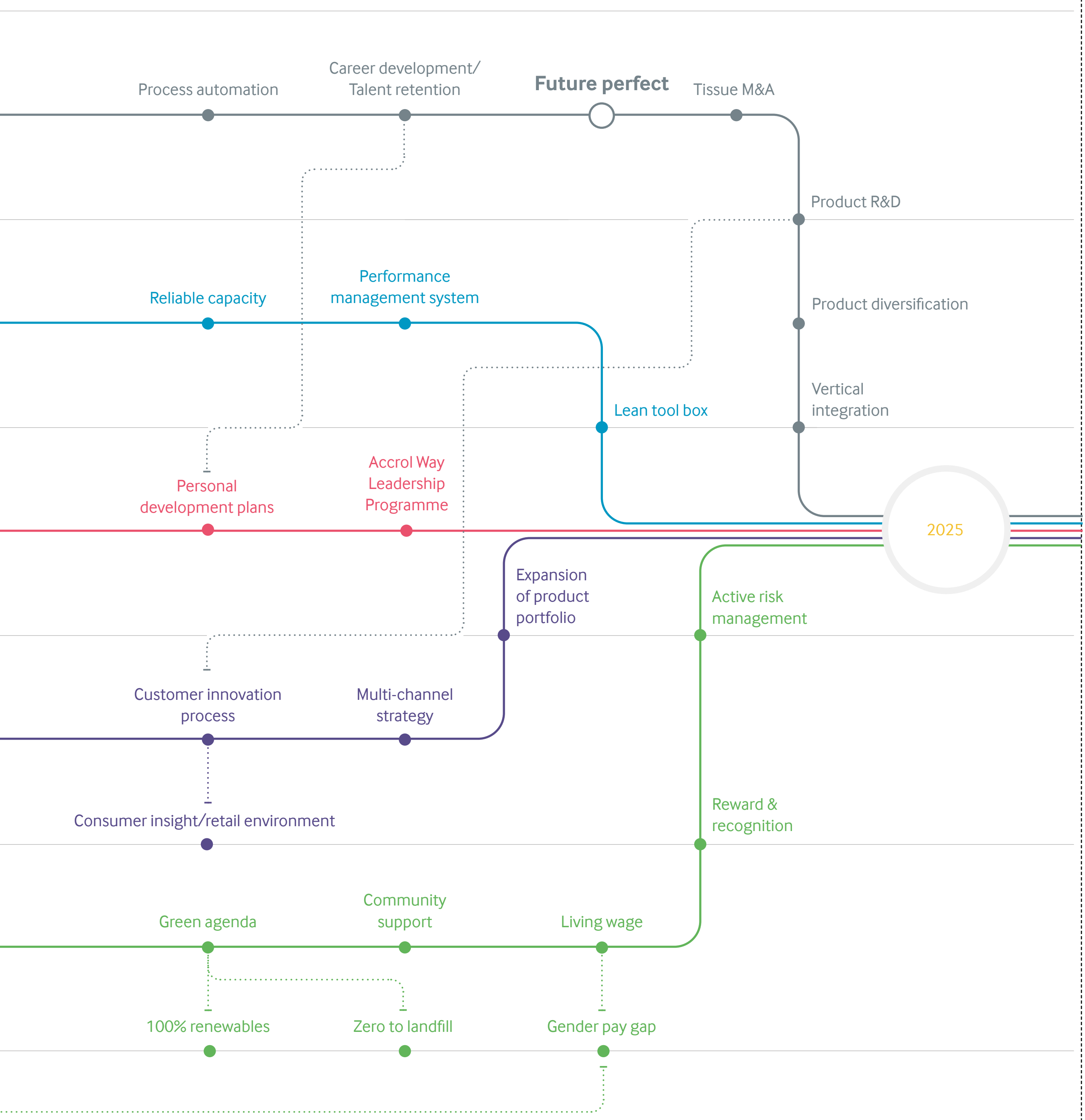
THE ROADMAP TO SUCCESS

Our focus going forward is to increase capacity and diversify the business. Our five-year road map covers our people, the markets in which we intend to compete, the operational excellence standards we have set and expect, the responsibility and actions we are taking in our environment and the future-perfect vision we have for the Group.

We believe that the personal hygiene and household products markets presents exciting growth opportunities. It is currently dominated by branded products, with a high price to value ratio, and we have identified significant potential to extend our consumer value philosophy to all essential, daily-use tissue products.



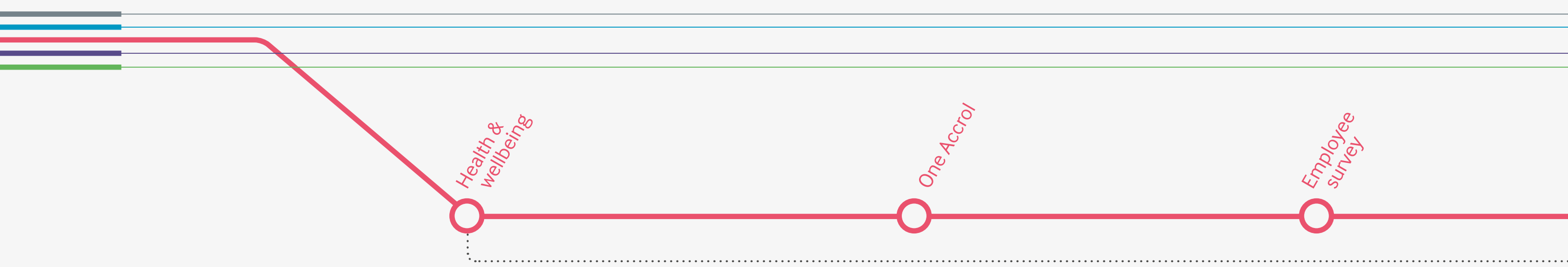
Within our existing market there are further opportunities to increase our market share, through greater penetration of the luxury tissue segment. We have already made good progress on this, supported by the strength of our relationships with existing customers, coupled with successful R&D in tissue material and processes.



Ready for 2025

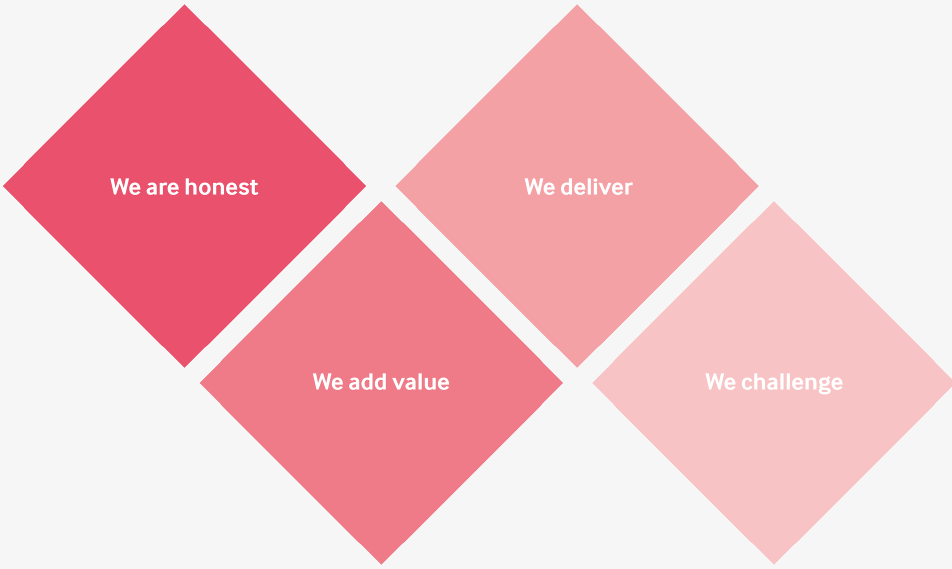
Hearts & minds

THE ACCROL FIVE YEAR PLAN CONTINUED



Our people are key to our success and we are building a highly capable workforce and continue to recruit and promote talented leaders, who are aligned with our values, high standards and behavioural expectations.

The leadership of the business realises that in a highly cost-conscious environment, the quality, capability and performance of team members are absolutely critical.



Career and self-development

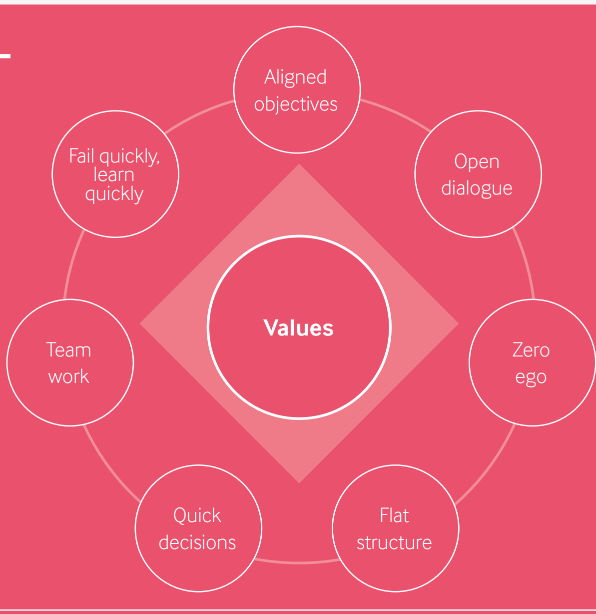
- Production leader
- Team leader
- Trainer
- Multi-skilled
- Operator

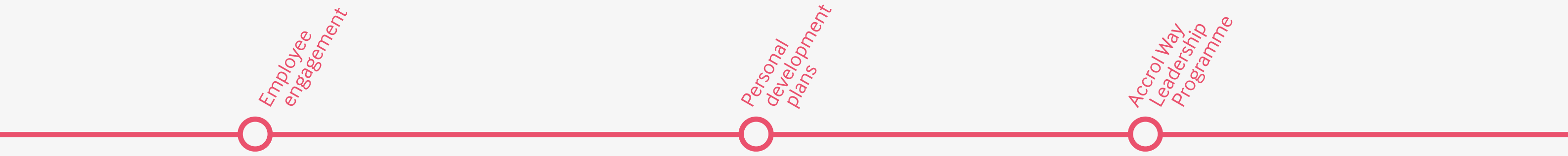
All supported by practical training and development

75%

of employees said they had the opportunity to learn and grow

ONE ACCROL





Health & wellbeing

2.35%

Absentee

Target <2%

Introduction of employee benefits – improved sick pay scheme, a life assurance scheme for every employee, an employee assistance scheme, a baseline medical process for all employees and a physiotherapy service.

Safety

5

Lost time accidents (LTA)

Target 0

While LTAs have remained stable in the year, our increasing focus on safety has resulted in a significant increase (266%) in safety observations, a measure that indicates higher employee engagement with health and safety and evidence that training is working.

89%

of employees say that health and safety is a high priority at Accrol

HIGHLIGHTS

Measuring wellbeing and employee engagement

91%

of people say they are proud to work for Accrol

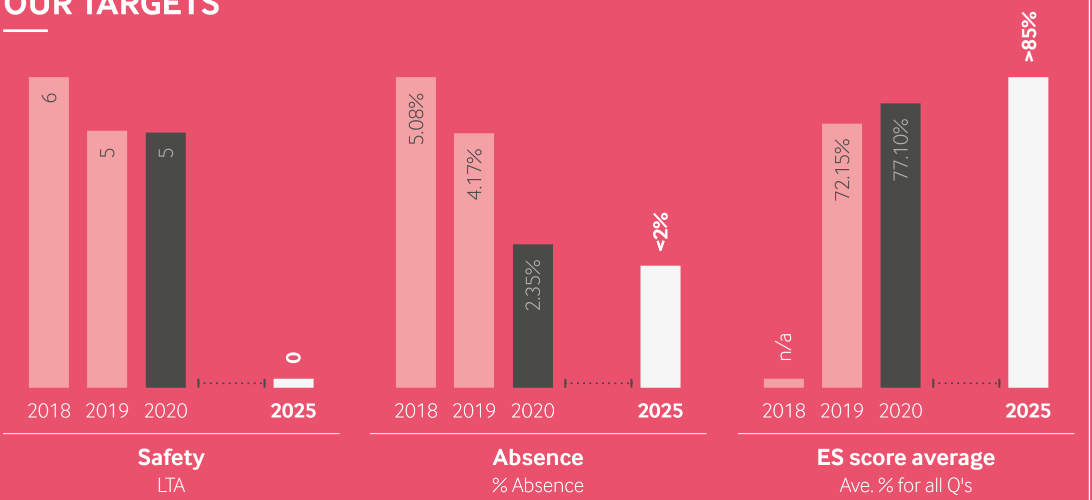
94%

of employees say they know what is expected of them at work

88%

say they have the opportunity to do their best , every day

OUR TARGETS



Definition

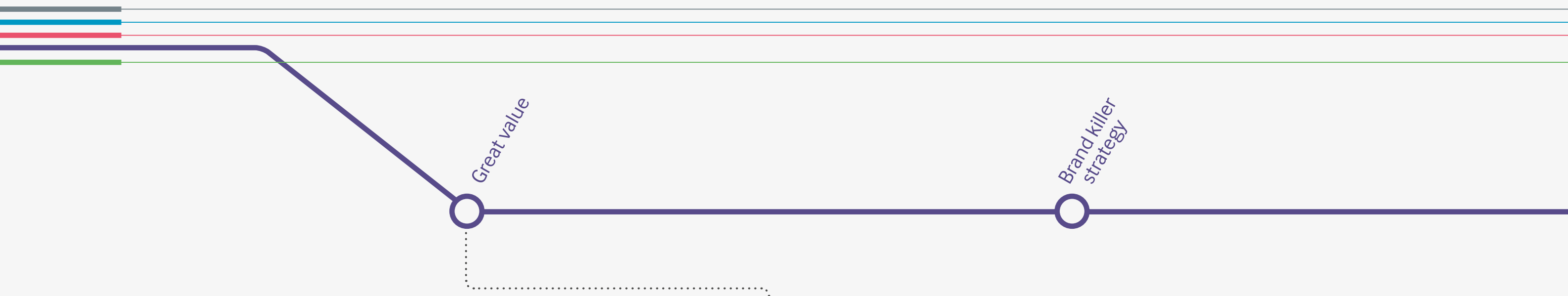
LTA is the total number of Lost Time Accidents in the year

Absence is measured as a % of total hours worked

ES is the average employee feedback score over 15 survey questions

Markets for growth

THE ACCROL FIVE YEAR PLAN CONTINUED

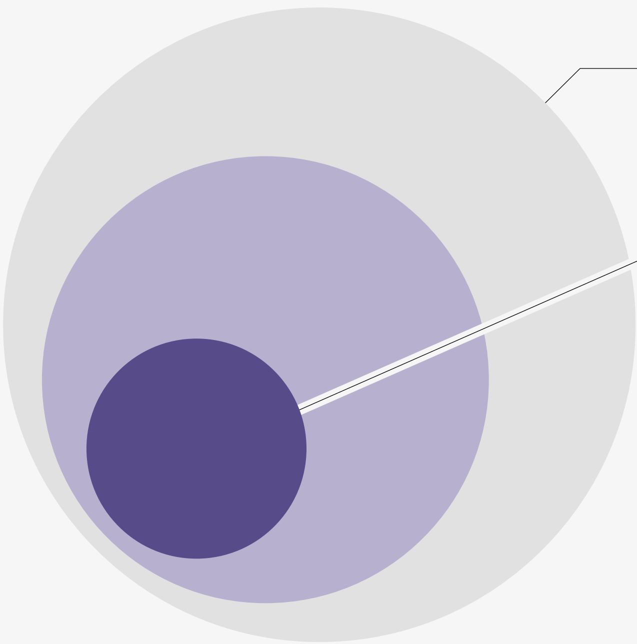


The overall market is worth £1.7bn, and Accrol's share of the overall market is 13.1%, up from 12.3%.

The UK soft tissue market is worth £1.7bn* with private label products comprising circa 50%. Accrol is the leading supplier to the private label market, with the total tissue market growing at circa 8% in FY20.

The Accrol Difference

- Toilet tissue grew at 22% compared to a market growth of 7.7%
- 27 core customers
- Market grows at 8% per year
- Market insight
- First to offer a plastic free range
- Super-soft product – new revenue through R&D



£1.7BN

Total UK soft tissue market

(2019: £1.58bn)

As the leading brands continue to decline Accrol is uniquely positioned to take advantage.

Key

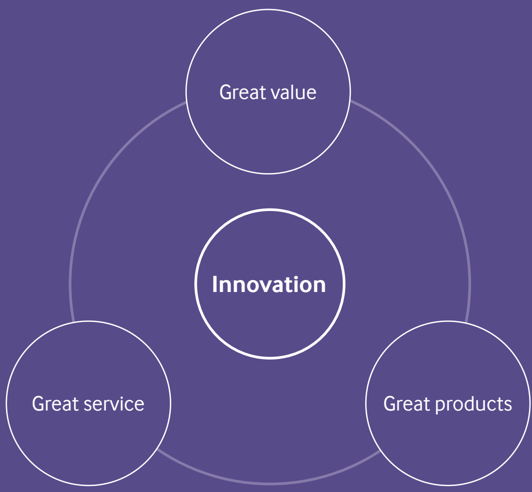
- Total UK tissue market
- Private label market penetration
- Accrol market share

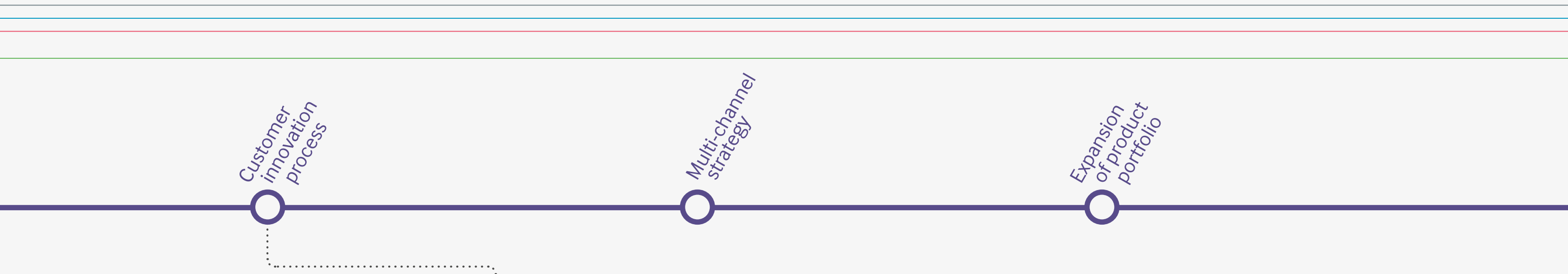
* Source: IRI data.

BRAND KILLERS

Accrol is in a unique position to benefit from the change in consumer buying habits.

Our growth strategy is simple: take market share from established brands by providing consumers with the best-value products and our customers with great service, whilst ensuring we are the lowest cost operator. We have the ambition, ability and drive to build a much bigger business, applying Accrol's philosophies on great products at great value and world-class operational efficiency across a wider product range. We see the personal hygiene and household products markets as exciting growth areas, which are currently dominated by branded products, with a high price to value ratio.





R&D and innovation

R&D in tissue material and processes resulted in the innovative use of the latest machine technology and advanced materials to secure UK exclusivity of a super-soft tissue product. Within our existing market there are further opportunities to increase our market share, through greater penetration of the luxury tissue segment.

Consumer insights

Accrol is the largest independent supplier of toilet roll and kitchen towel in the UK. 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.

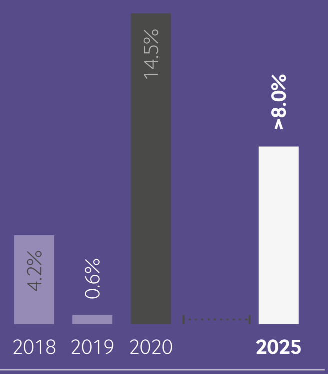
HIGHLIGHTS

14.5%
Growth of largest independent supplier in toilet tissue

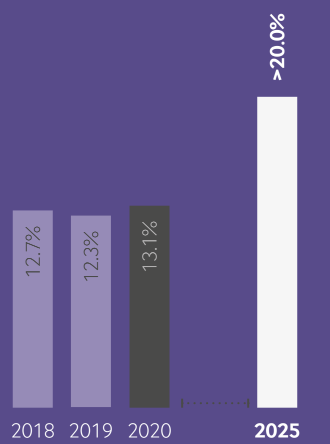
27
Largest range of core customers

8%
Market growth per year

OUR TARGETS



Annual growth rate (core products)
% growth/annum



Total market share (core products)
Share %

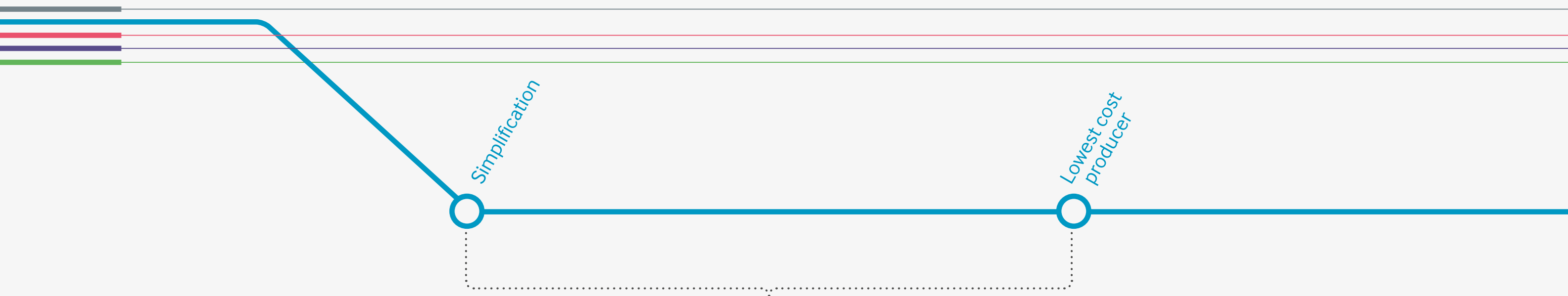
Definition

Annual growth is the percentage growth per annum of core products

Total market share is Accrol's percentage share of the total UK market

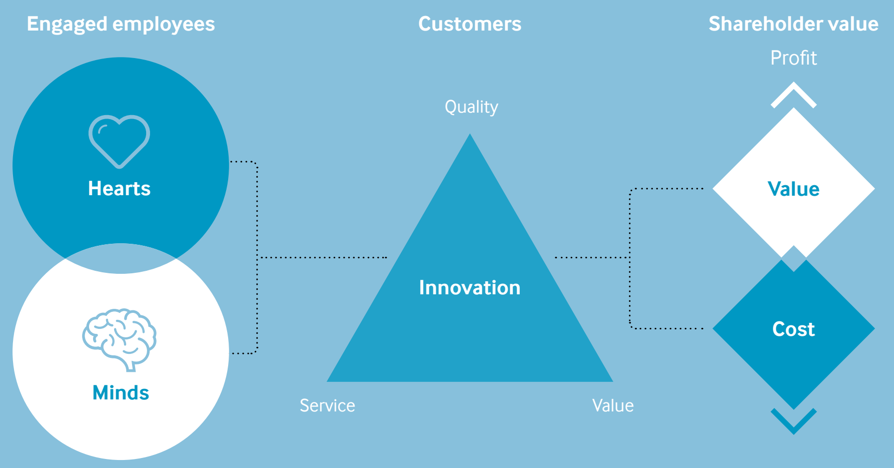
World-class basics

THE ACCROL FIVE YEAR PLAN CONTINUED



ADDING VALUE TO OUR CUSTOMERS EVERY DAY

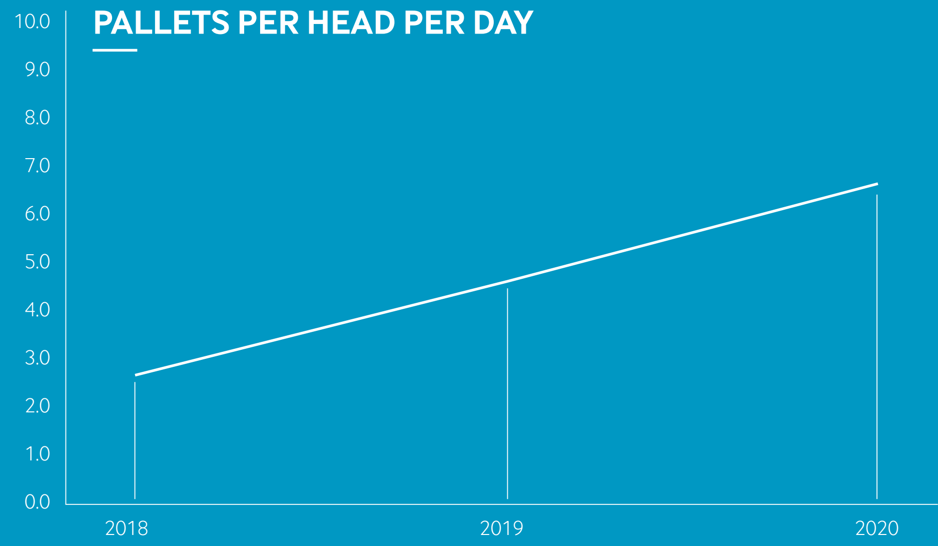
Low cost
Accrol's business model is unashamedly based on being the lowest cost producer in the marketplace. Simplification, and instilling the mindset of not just maintaining but extending our position as the lowest cost producer in the market, extends beyond the senior leadership to all our employees. Increasing the involvement of employees in problem solving and day to day improvements will contribute to cost reduction at the tactical and operational level of the business.

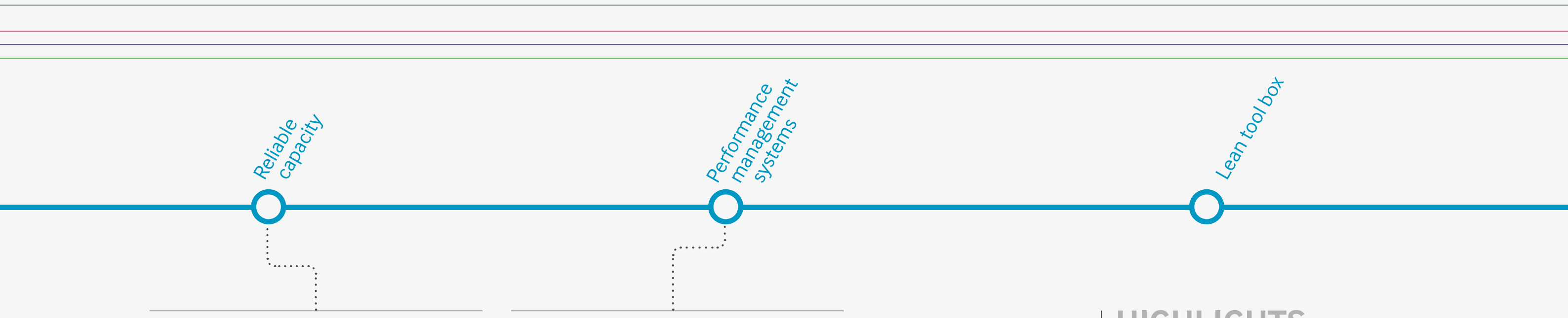


Providing consumers with the best-value products and customers with great service, whilst ensuring we are the lowest cost operator.

243%
Output per head increase since 2018

PALLETS PER HEAD PER DAY





Reliable capacity

We have invested £3.2m in improving our reliable capacity over the year.

We have enhanced the reliability and capacity of our core lines by returning them to an improved OEM standard or better, extending their useful lives whilst improving output and up time. In addition, we have enhanced our rewinder capacity.

A combination of improving reliable capacity, through more proactive preventative maintenance, targeted employee training, and a simplified planning cycle have delivered fewer changeovers and less downtime. This increased average efficiency by 22.8% (Q1 average to Q4 average FY20) and by 36.9% since 2018.

Performance management

In July 2020 we seamlessly integrated, state of the art ERP, WMS & EDI software, and we expect to see ongoing improvement in operational efficiency, product quality and Customer service as the data it provides will give us increased visibility and allow us to better identify and rectify inefficiencies in the business.

HIGHLIGHTS

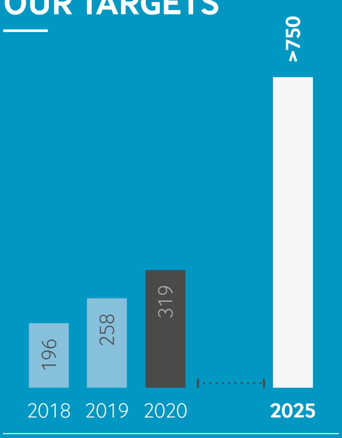
£3.2M

Invested in improving our reliable capacity over the year

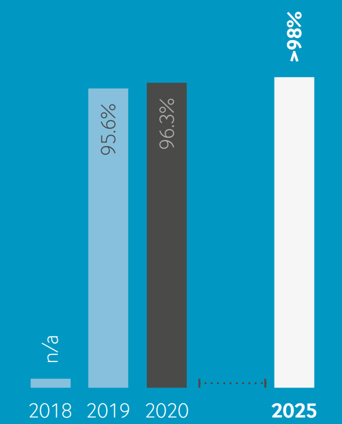
22.8%

Increased average efficiency

OUR TARGETS



Revenue per employee
£'000



On-Time
OT%

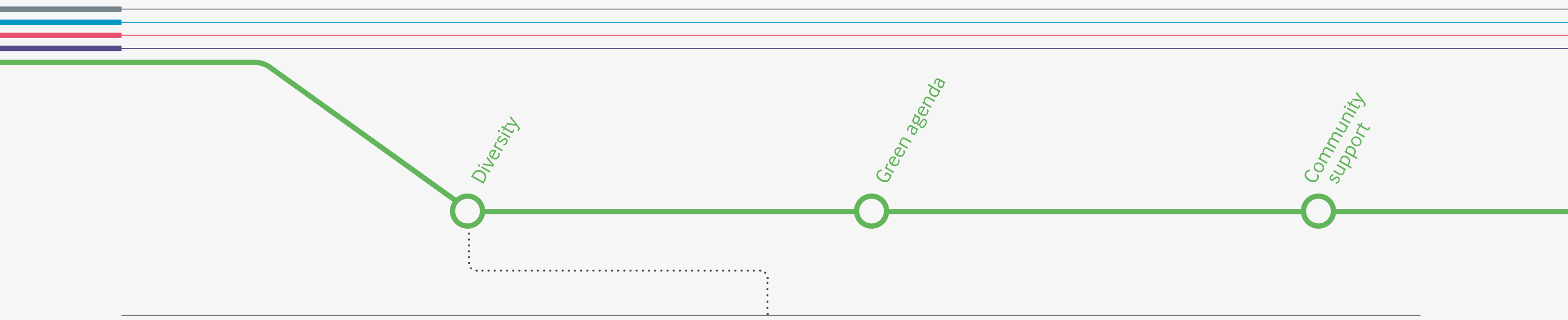
Definition

Revenue per employee is the sales revenue generated per Accrol employee

On time is the parentage of total deliveries delivered on-time to customers

Sustainable platform

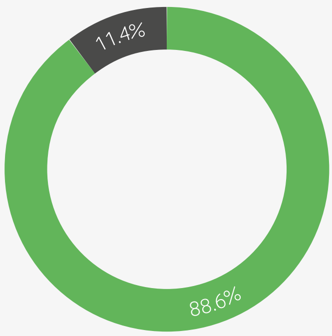
THE ACCROL FIVE YEAR PLAN CONTINUED



Gender diversity

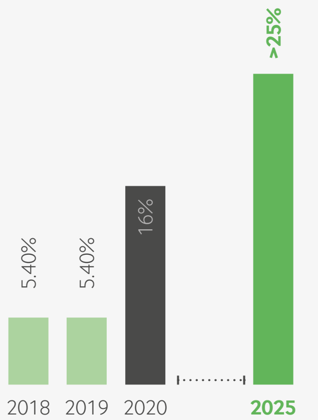
We are pleased that the number of females in leadership roles has increased to 16% up from 5% in FY19. As a group we are committed to attracting talent from across the UK population into manufacturing, which is a sector where individuals can grow and deliver transformational change they can be proud of. Over this period of change we have seen further improvement in our employee engagement scores and efficiency levels (see pages 11 and 15 respectively).

Employees by gender



Key

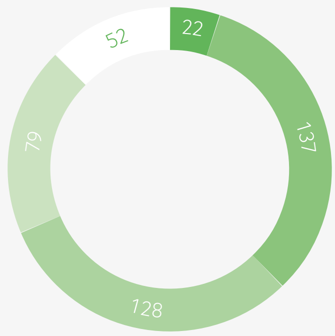
- Male: 377 (2019: 544)
- Female: 43 (2019: 32)



Gender

% of females in leadership roles

Age diversity



Key

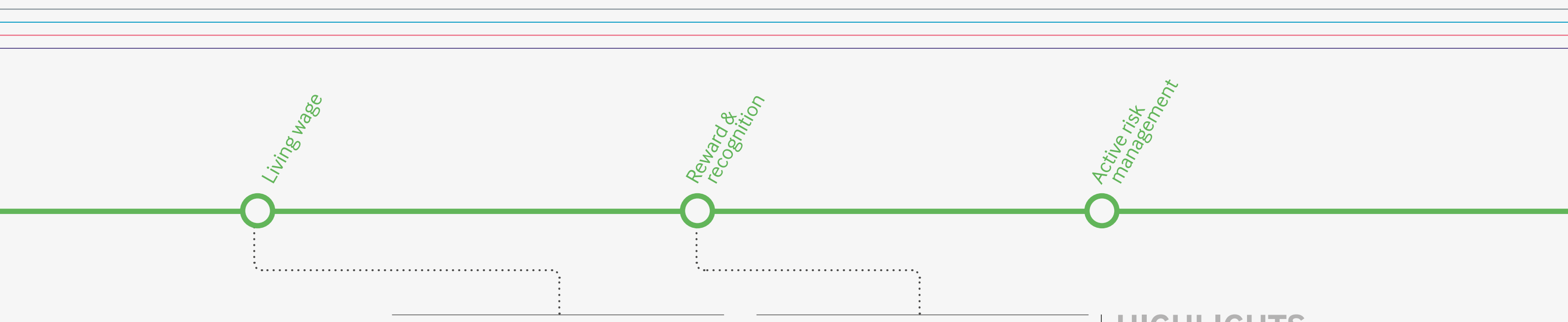
- >25
- 25-34
- 35-44
- 45-55
- 65+

We believe that protecting the environment is an essential driver in our business and we consider it our duty to ensure that our environmental impact is reduced year on year. Product sustainability is also a vital element of the business and our tissue products are made from FSC® certified papers. It is our intention to source all the energy needed for our sites from renewables in the short to mid-term, as we continue our drive towards zero emissions. We are also exploring an opportunity to substantially reduce our transport requirements, which impact our carbon footprint significantly.

COMMUNITY SUPPORT

Blackburn Youth Zone

Accrol is a founding member of the Blackburn Youth Zone ("BYZ") and continues to support the funding of this local organisation. The Executive Chairman, CEO and other members of staff are active in raising awareness of the BYZ by attending and participating in speaking events. At a practical level, a number of employees have children who have benefited directly through attendance of the BYZ – this excellent facility encourages young people to make new friends, talk about their challenges, play sports, learn to play musical instruments and ultimately supports them in getting onto the job ladder if required.



Living wage

Real Living Wage or more for everyone. At 30 April 2018, the percentage of employees on or above the Real Living Wage, as defined by the Living Wage Foundation, was just 35%. By 30 April 2020, this had risen to 94% and our intention is to reach 100% by October 2020.

Reward and recognition

Importance is given to creating a sustainable, skilled workforce. Despite the financial challenges which faced the business during the turnaround, we never lost our focus on our people and have made significant improvements on job security and remuneration.

We have developed a new grading structure giving every employee in the business a clear growth path, supported by a training programme. We see this, along with a strong and positive culture, as a core requirement for talent retention and recruitment.

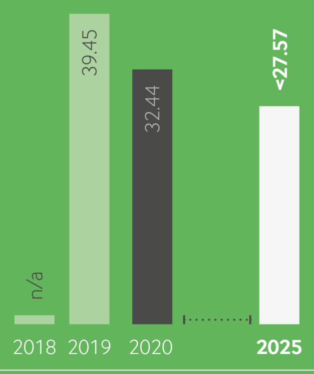
HIGHLIGHTS

94%
of employees on the Real Living Wage

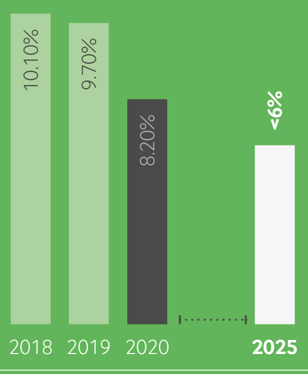
100%
Target for employees on the Real Living Wage by October 2020

81%
of employees said that Accrol embrace diversity and equal opportunities

OUR TARGETS



Carbon emissions
$kgCO_2e$/Tonne of Production



Waste reduction
% Waste

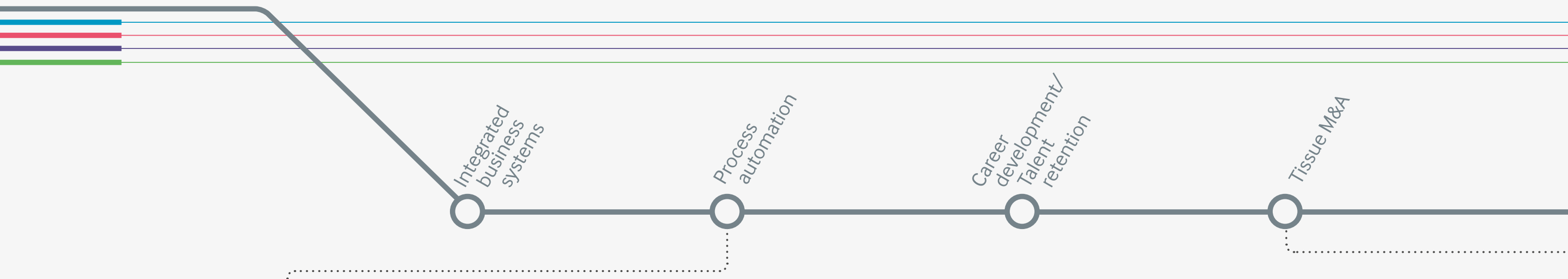
Definition

Carbon emissions is the kg of carbon emissions per tonne of product manufactured

Waste reduction is measured as waste material generated as a percentage of total tonnes converted

Future perfect

THE ACCROL FIVE YEAR PLAN CONTINUED



In line with being the lowest cost producer a significant investment is being made in automation in every part of the business. As automation of the business progresses, higher skills will be required.

Product R&D

Product diversification

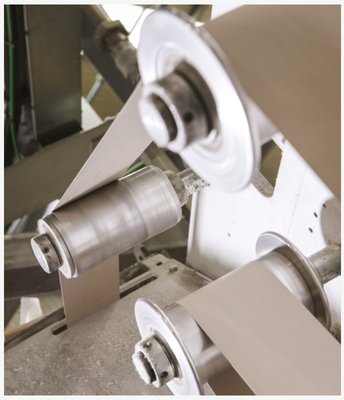
Vertical integration

Tissue M&A

Within our existing market there are further opportunities to increase our market share, through greater penetration of the luxury tissue segment through a mix of R&D and selective acquisition.

Tissue mill

To support long-term growth aspirations the Group is looking at vertical integration opportunities and to support the Group's lowest cost operational efficient philosophy.



PRODUCT DIVERSIFICATION

Potential to extend our consumer value philosophy to all essential, daily-use tissue products

The business model has been designed to be scalable and the business intends to leverage this low cost, high quality platform to enter into new market segments which are synergistic with the current range of products and Customers. This will be an extension of the already successful brand killer approach to deliver great value to Customers and Consumers.

Simplification and a clarity of focus

CHIEF EXECUTIVE OFFICER'S REVIEW

The turnaround of the business was completed during the year under review and the organisation is in a much stronger position. Through simplification and a clarity of focus in all aspects of the Group, over the last two years, we have reduced administration and distribution expenses by 37% from £47.9m to £30.3m, increased gross margins by 49% (14.7% to 21.9%), grown core revenue by 15.9%, from £115.3m to £133.6m, and almost halved adjusted net debt from £33.8m down to £17.9m.

To be very clear, however, the leadership of the Group considers this position to be the new start point: it gives the business good foundations on which to build upon. Whilst it is an outstanding improvement over a short period of time, and one of which the team can be proud, there is always more to do. Whilst returns are substantially better, they do not yet meet the expectations of the Board or leadership team. The management's attention is now focused on building a more diversified business, of size and scale, that delivers significant consumer benefits through the supply of great-value products, producing returns for shareholders in the top quartile of any competitor in the wider household and personal hygiene sectors.

The relentless drive for increasing efficiency throughout the organisation will never cease. Over the first quarter of FY21, a new IT system has successfully fulfilled the business's needs in every area from finance, procurement, operations and stock management. By the end of H1 FY21, the Blackburn tissue plant will be fully automated, with robotisation replacing all manual finished goods movements, enabling us to reduce headcount to 310 in H2 FY21, compared to a peak of 689 people in 2017.

Strategy – brand killers

Our growth strategy is simple: take market share from established brands by providing consumers with the best-value products and our customers with great service, whilst ensuring we are the lowest cost operator.

Gareth Jenkins Chief Executive Officer

Market overview

Whilst our business, thankfully, was largely unaffected by the COVID-19 restrictions, because of timely social distancing actions, demand for tissue products in our market rose rapidly in the early stages of the lockdown. Accrol's sales benefitted slightly (up by c.£3m) from this unprecedented rise in demand. However, we were unable to capitalise further due to the strict controls we place on stock levels. Our business operates primarily on a just in time basis and, whilst we operated >100% capacity by making short-term changes to get product on shelves during this unusual period, the majority of demand for toilet tissue during this period was satisfied by the brand manufacturers, who hold higher levels of stock.

Find out more

Business Model **06**
Environmental, Social & Governance **26**
Governance **38**

The combination of availability during the panic-buying period and vastly increased promotional activity from the brands, created a reduction in private label's share of the market for the first time in 10 years, from 50.4% (52 Weekly Average 2019) to 49% (52WA 20). The leading brands' market share grew over the same period from 29.8% to 31%. Volume sold on promotion for the brands rose from 59% to 80% (Source: IRI data). It is pleasing to note that Accrol's toilet tissue sales grew by 21% in this Period and gross margin increased by 49%. The promotional activity of brands in response to the 10-year upward growth trend in private label products is not unusual, as evidenced in other markets, as they try to address the move of consumers to better-value products.

The short-term rise in demand for toilet tissue in Q4 has unwound, with equal decline in volumes across the sector in the first quarter of FY21. I am pleased to report that, as consumer activity has normalised, sales returned to pre-lockdown levels as we entered Q2 FY21. Notably, the Group has continued to deliver further margin improvements throughout the new financial year to date.

Customers

The fact that the Group has grown sales by 14.5%, increasing its total tissue market share by 6.5% to 13.1% (to end April 20), shows that our strategy of delivering great-value products with great service is winning. The widening range of customers also ensured that the Group has grown throughout FY20.

Over this time, we have secured UK exclusivity of a super-soft tissue product, which has been produced using the latest machine technology and which has come on stream in FY20. This constant drive to source the latest, most advanced materials has helped drive growth and improve the margins for business.

Whilst we continue to supply great-value products with excellent service in this market, we are actively exploring opportunities to scale the core business, as well as to diversify into new markets and products.

The Group continues to win further new business and extend its customer base. We have a very clear intention to increase our customer base to include all major retailers in the UK. The recent pandemic has highlighted the limitations of sole supply arrangements for the consistent supply of significant volumes. I believe that Accrol is well positioned to benefit from new opportunities which arise, as retailers seek to resolve this issue.

Pricing will always be a sensitive issue for all parties, but what is clear is that delivering great products which add value compared to the market commands increasing margins. The Group's gross margins over the period (FY19 to FY20) have improved by 49% (14.7% to 21.9%). What is pleasing is that this improving trend has continued into the new financial year.

Suppliers

Throughout FY20, we continued to simplify our tissue types further, with the Group now purchasing six major tissue types, down from 12 at the end of FY19 and 75 in FY18. This programme of relentless operational improvement has enabled the Group to drive the quality and consistency of its supply to the high levels now demanded to ensure the business has confidence that the quality of its product consistently outperforms the market.

The Group continues to explore new supply options, as further tissue mills are due to come on stream in FY21. Furthermore, Accrol is exploring the merits of paper mill ownership in line with its lowest cost operational efficient philosophy.

What is clear is that our simplification programme has delivered significant cost reduction across the supply base, but the approach requires a relentless attitude to the review of costs at all times.

Operations

Significant operational progress has been delivered during the year. Our external supply chains have been strengthened and optimised, by working more closely with our chosen strategic partners, and strong growth in production efficiencies has been delivered across the business. A combination of improving reliable capacity, through more proactive preventative maintenance, targeted employee training, and a simplified planning cycle have delivered fewer changeovers and less downtime.

This increased average efficiency by 22.8% (Q1 average to Q4 average FY20) and by 36.9% over the two-year cycle (Q1 FY18 to Q4 FY20), with average efficiency being measured as pallets produced per day. Over this same period, headcount reduced from a high of 689 to 410, with output per head increasing by 243%.

The Group's shift patterns and working practices have been reviewed and changed, generating ongoing cost savings throughout the year which have helped drive the reduction in operating costs achieved in FY20. Preparations are in place for a major investment in further automation, which will transform a significant proportion of the manufacturing footprint during the last quarter of 2020.

Our people are key to our success and we continue to focus on recruiting and promoting talented leaders, who are aligned with our values, high standards and behavioural expectations. A flat organisational structure, combined with capable leadership and highly engaged employees, has ensured that throughout the height of the COVID-19 situation, the performance of the business excelled beyond expectations. The strength and depth of our culture and our employees' commitment to the business have shone through, which is very encouraging for the next phase of Accrol's growth. I reiterate Dan's thanks to the whole team for continuing to demonstrate their grit and ability under exceptional circumstances.

New systems

We invested £2.6m in infrastructure and systems during the year. Planning for our new Warehouse Management System, HR system and NetSuite Business system commenced early in the Period and are now successfully implemented. The Group has also made significant IT infrastructure changes to improve the resilience and security of all Accrol systems. I am pleased to report that the transition to four new operating systems has gone to plan in cost and timing.

IT and systems are a key part of the infrastructure for growth, which we have been putting in place over the last 12 months. The Group now has full sight of all elements of the operational process, giving our management and leadership groups across the organisation the information required to make further improvements throughout the business.

OPERATIONAL HIGHLIGHTS

Through simplification and a clarity of focus in all aspects of the Group, over the last two years, we have:

-37%
Reduction in administration and distribution expenses
(£47.9m to £30.3m)

+49%
Increased gross margin
(14.7% to 21.9%)

15.9%
Increased core revenue
(£115.3m to £133.6m)

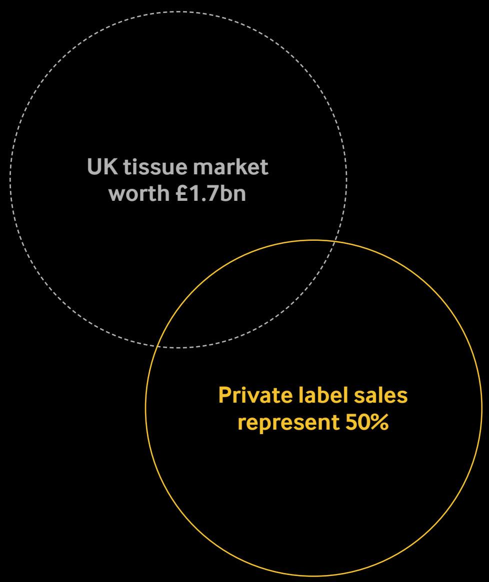
£17.9M
Adjusted net debt reduction
almost halved from £33.8m down to £17.9m

WHY INVEST

Why invest in Accrol Group Holdings plc?

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 £1.7bn (retail sales) and is growing at 2.8%.
- Private label sales represent 50%.
- The Brands now sell c80% of product on promotion up from 50% in FY18 as the consumers move to high quality great value private label products.
- Accrol has a broad customer base – target of no one customer to represent more than 20% of revenue.
- The UK soft tissue market is consolidating, improving the opportunity and returns for the strongest players.



- The Group is cash generative.
- Accrol has a highly experienced and invested management team with proven track record in transformational change, operational excellence and commercial leadership that delivers consistent levels of return.
- Accrol has a keen understanding of consumer behaviour, enabling the Group to react quickly to and capitalise on changing trends.
- A relentless drive on operational efficiency and input cost management has created the strongest foundations on which to grow.
- The business has been fully restructured and is now well invested and operationally efficient with significant headroom for growth.

People and culture

Our company values remain at the core of everything the business does – we challenge, we are honest, we add value and we deliver. Accrol's business model is unashamedly based on being the lowest cost producer in the marketplace. However, this is not at the expense of our employees' welfare or their ability to grow within the organisation. The leadership of the business realises that in a highly cost-conscious environment, the quality, capability and performance of team members are absolutely critical. During FY20, the Group has introduced several employee welfare benefits, including an improved sick pay scheme, a life assurance scheme for every employee, an employee assistance scheme, a baseline medical process for all employees and a physiotherapy service.

As well as the ongoing development of specific employees, as they are promoted within Accrol, the business has also developed a new grading structure, which is currently in the roll-out phase. This gives every employee in the business a clear growth path, which is supported by a training programme. We see this, along with a strong and positive culture, as a core requirement for talent retention and recruitment.

Health and safety/COVID-19

Health and safety is a business fundamental for Accrol and this remains top of our agenda. During FY20, the business, after a number of years of investing in fixing safety infrastructure, was able to shift focus onto behavioural safety. This means we are taking a more proactive, preventative approach to hazard identification and rectification, prior to any issues occurring. This has been embraced by the workforce and the response levels, in terms of behavioural safety cards, have been impressive. There is opportunity for further improvement, with the Group having recorded five LTA's in the year, which is unchanged from FY19. However, the focus and desire to improve is strong and will not diminish.

The level of focus and commitment from everyone in this business, aligned with the depth of employee engagement, gives leadership real confidence that continued improvement is assured.

Accrol was identified as an essential business within the COVID-19 lockdown. The short-term spike in demand for toilet tissue products in the early stages pre/post lockdown measures, outlined above, presented challenges, in terms of gearing up production. However, the more significant challenge was to ensure the safety of our employees during this period, both in and outside of work. The leadership of the business continues to have daily COVID-19 calls and we have invested heavily in proactive measures to ensure that the business can run at unusually high levels of productivity, whilst ensuring any risk to our employees is minimal.

The achievements of the whole Accrol team throughout this period have been humbling. Employees have adhered to the measures the business has put in place; they have continued to work throughout the whole period without question; and, when issues have arisen, they have reacted positively and swiftly, taking tests through our track and trace process and getting back to work as quickly as possible. The Accrol leadership is very proud of the way our employees have conducted themselves throughout the crisis, and we thank them for their commitment and professionalism.

Outlook

The outlook for the business is a positive one, as we build on the strong foundations put in place over the last 18 months. The opportunity to increase our share in our core markets remains significant. Whilst we continue to supply great-value products with excellent service in this market, we are actively exploring opportunities to scale the core business, as well as to diversify into new markets and products, currently serviced by brands, where we know our better-value offering will appeal to the consumer.

Volumes across the private label sector were impacted in Q1 FY21, as panic buying unwound. However, the Group's margins increased ahead of our expectations in this period, as our product mix has improved. Consumer shopping habits have normalised in Q2, with private label sales bouncing back to pre-COVID levels. All discounters are expected to address online shopping service capability over the next 12 months, and the medium to long-term outlook for volumes in this market remains strong, with significant expansion plans being accelerated, as the UK economy adjusts.

Our relentless approach to cost and value does not mean we embrace a minimum wage culture. Good people are at the heart of a successful business and we will continue to develop highly engaged, skilled and appropriately paid employees, through training, automation and efficiency. The sustainability of the business is also paramount, and we will continue to seek new ways to fulfil consumer and customer needs, whilst minimising the Group's environmental impact.

With only 13% of the total UK tissue market and a strong infrastructure for growth taking shape, Accrol is increasingly well positioned to benefit in a value-conscious, post COVID-19 world. We will continue to invest in our people, automation and our impact on the environment to ensure the sustainability of the business throughout its planned growth. With all this in mind, I view the future of the business with increasing confidence.

Gareth Jenkins
Chief Executive Officer

2 September 2020

The Accrol leadership is very proud of the way our employees have conducted themselves throughout the crisis, and we thank them for their commitment and professionalism.

Acting for every stakeholder

SECTION 172 STATEMENT

SECTION 172

In compliance with sections 172 and 414CZA of the Companies Act 2006, the Board makes the following statement in relation to the financial period ended 30 April 2020:

Engagement with the Company's stakeholders is a key aspect of the business and strategy of the Company. The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders. We have identified our key stakeholders as follows:

Our people
Our customers
Our suppliers
Our investors
Our community

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.

Our stakeholders	Engagement	
Our people People are at the heart of our business and the key to ensuring delivery of our relentless drive for world class basics.	We run a multi-language Employee Engagement Survey twice a year. The results are reviewed at Board level and feedback is used to inform employee development and policies. In order to engage with our diverse workforce, we employ a multi-channel, real-time communication approach.	This ensures relevant and effective two-way dialogue. A rapid response to the COVID-19 pandemic to ensure the safety and wellbeing of our employees was implemented. As a non-unionised business we train employees in representation which enables the best possible interactions.
Our customers Effective communication with our customers is fundamental to our success.	The Company engages in continuous communication with customers to understand their needs, share our plans, and nurture the collaborative partnership.	The Company has key account managers for its customers, and their role is to understand the customer's organisation, strategy and vision for their business. Armed with this information we can align our offering and organisation to mirror their needs, ensuring we grow together.
Our suppliers The relationship with our suppliers is crucial to ensuring the timeliness and security of our raw material supply.	We have strong relationships with our suppliers maintained through regular reviews and site visits, which allow for open and transparent dialogue. We believe in long-term partnerships, based on trust and openness.	
Our investors We have a strong and supportive investor base whose ongoing support is key to realising the growth ambitions of the Company.	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.	Feedback from investors is reviewed by the Board.
Our communities We believe that it's important to support the communities that support our businesses.	Accrol is a founding member of the Blackburn Youth Zone ("BYZ") and continues to support the funding of this local organisation. The CEO and other members of staff are active in raising awareness of the BYZ by attending and participating in speaking events.	We regularly supply products to local foodbanks, and during the COVID-19 pandemic supplied local charities and the Royal Blackburn NHS hospital with large volumes of product. The employees at our Blackburn facility contribute significantly to Secret Santa, a local charity that distributes gift sacks to under privileged children in the local area.

Impact of engagement and actions taken

Whilst our engagement scores were very high with 91% of people saying they are proud to work for Accrol, the survey in FY20 highlighted that we were not providing enough performance feedback to individuals and how they could progress. Based on this feedback we introduced a new Company-wide operational grading system that gives employees a clear path for improvement and growth.

The measures implemented created a safe environment which gave employees the confidence to continue at work 24/7 throughout the pandemic. Measures such as staggered start time, face covering and extra sanitisation and cleaning coupled with multilingual communication have resulted in strong attendance and positive feedback.

There are numerous examples where engagement with Customers has deepened our understanding of their needs and enabled us to supply improved products, which result in greater consumer satisfaction and increased sales.

Over the year sales in our core toilet tissue sector have grown 22% which we view as a reflection that the actions we are taking are valued by our customers.

We understand the importance of learning from our supplier base.

We have worked together to develop new tissue grades that are now positively impacting our range of products.

The Executive Board values shareholder input and believes that the meetings with shareholders offer a valuable opportunity to not only share financial data and results, but also share the vision for the business and to test the direction of travel with the experience of our investor community.

This is a very valuable process and allows the leadership of the business to understand the economic and macro trading environment, which can provide visibility of both challenges and opportunities.

We are a major employer in Lancashire and we have an acute sense of the importance of community to our employees. It is very important for Accrol to have strong local standing due to its historical ownership and its diverse cultural heritage. It is also important that our employees feel a sense of pride working for Accrol. The recent employee survey reflects this, with 91% of our employees stating that they were proud to work for Accrol.

At a practical level, a number of employees have children who have benefited directly through attendance of the BYZ – this excellent facility encourages young people to make new friends, talk about their challenges, play sports, learn to play musical instruments and ultimately supports them in getting onto the job ladder if required.

The Accrol promise

Sustainability

We believe that responsible business ensures sustainability

Transparency

Open and honest communication with all our stakeholders

Innovation

Relentless drive for world class basics

Delivery

The best service to our customers, the best products to the consumer, great returns to shareholders, giving back to the community

COMMITMENT TO THE ENVIRONMENT

- We are committed to reducing our impact on the environment and have established our own in-house energy reduction team in partnership with our energy provider. We are using 100% renewable electricity and have a commitment to reduce our energy usage by 10% over the next five years.
- We strive to get the best possible quality and performance from our tissue fibre and are working in tandem with our suppliers to achieve this, even if it does mean buying more expensive tissue to deliver better performance characteristics.
- We continue to reduce packaging waste for our Customers, by optimising material usage, and we are at the forefront of packaging design in terms of new environmentally friendly materials including recycled films and paper for wrapping product.
- We are constantly looking for ways to further reduce our carbon footprint across all aspects of our business. We plan to set demanding reduction targets over the next five years with reduction planned every year.

See page 16 for how we run a responsible business.

Other key decisions taken in the year that were influenced by engagement with stakeholders:

- **New IT system** – significant consultation with employees and customers was undertaken to ensure the implementation was as smooth as possible for all parties. As a result, the system was implemented in July 2020 without any business or supply interruption.
- **Product portfolio expansion into super-soft tissue** – was driven by Customer feedback, and successfully introduced through in depth engagement with our suppliers.

Responsible and sustainable business

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Whilst there is increasing governmental, investor and media attention on ESG, we are proud to say that ESG is genuinely important to us at Accrol. It is an integral part of our improvement programme and has been a key element since the early days of the turnaround. We believe that protecting the environment is an essential driver in our business and we consider it our duty to ensure that our environmental impact is reduced year on year. It is our intention to source all the energy needed for our sites from renewables in the short to mid-term, as we continue our drive towards zero emissions. We are also exploring an opportunity to substantially reduce our transport requirements, which impact our carbon footprint significantly.

Equally important is creating a sustainable, skilled workforce. Despite the financial challenges which have faced the business during the turnaround, we have never lost our focus on our people and have made significant improvements on job security and remuneration. There is, undoubtedly, more to do but the recent results from our Employee Engagement Survey show outstanding levels of engagement once again, with 91% of employees stating they are proud to work for Accrol. Our Gender Pay Gap performance shows that women at Accrol are paid more on average. While this may seem pleasing on the surface, our aim is to ensure underlying equality in the results.

Find out more

Hearts & minds **10**
Sustainable platform **16**
Governance **38**

ENVIRONMENTAL SUSTAINABILITY

Materials

- Tissue products are made from FSC® certified papers

Environmental efforts

- 100% renewable electricity
- Target to reduce energy use by 10% over the next five years
  - Internal task force established to achieve this
  - Ultimate target of zero emissions
- Target to reduce global footprint through reduction of lorry trips
  - Extra-long trailers introduced for raw material transport which should reduce journeys by around 25%
- Environmentally friendly product line - Oceans

Waste – target zero

- Already Zero to Landfill – all waste is either recycled or sent to an energy recovery facility and turned into energy for homes and businesses

SOCIAL

Our commitment

- Real Living Wage or more for everyone
  - At 30 April 2018, the percentage of employees on or above the Real Living Wage, as defined by the Living Wage Foundation, was just 35%. By 30 April 2020, this had risen to 94% and our intention is to reach 100% by October 2020
- Working environment that encourages people to be part of the decision process
- Personal development plans that provide a clear route for everyone to improve their skillsets and progress through the business

Supply chain, ethics and modern slavery

We promote a corporate culture that is based on ethical values and behaviours and cascade the message right through the business at all levels. We're proud of our procedures covering ethical behaviour; including our Anti Bribery and Corruption Policy and our Anti-Slavery and Human Trafficking Statement. We set clear expectations with our colleagues, suppliers and customers on best practices and continually review our approach to remain relevant to today's ever-evolving challenges in the external world, whilst staying true to our core values and principles.

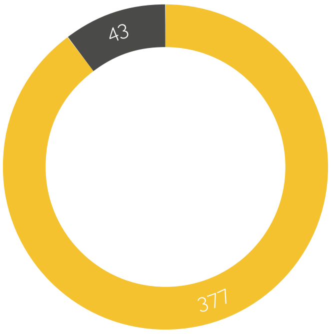
Graham Cox, Commercial Director

"Overall waste levels continue to fall with significant improvements seen from the Leyland business following targeted interventions to achieve a 1.5% reduction to a best practice level of 6.2% over a three month rolling period. The same programme is currently in progress within the Blackburn operation with an expectation of achieving a similar result."

Kathryn Robinson, Head of Human Resources

"We run an Employee Engagement Survey twice annually. The questions focus on a range of areas, including happiness at, and enjoyment with, work, expected standards and personal development. We're proud to report that our engagement scores have improved with each survey and we continue to drive further improvements."

Employees by gender



Quartiles

Upper	Spilt %
2019	86.5/13.5
2018	89/11

Upper middle	Spilt %
2019	88.3/11.7
2018	91/9

Lower middle	Spilt %
2019	98.2/1.8
2018	96/4

Lower	Spilt %
2019	88.3/11.7
2018	98/2

Key

- ··· Male
- ··· Female

Staff engagement

91%
proud to work for Accrol

79%
feel supported by management

Javid Mogradia

Joined Accrol: 2015
Position when joining: Production operative
Current position: Quality Co-ordinator

Since joining Accrol Javid has progressed consistently through the Company, first to Shift Quality Control, then Weekend Cell Supervisor, then Quality Supervisor and most recently to Quality Co-ordinator. In addition, he has undertaken and achieved Internal Audit training, FSC standards, IOSHH Managing Safely, Leadership courses, HACCP and is currently undertaking an ILM level three qualification in management, all of which have been sponsored and supported by Accrol. Javid has aspirations to further develop his career with Accrol through a technical route at a managerial level.

Sanawar Hussain

Joined Accrol: 2009
Position when joining: Production operative
Current position: Supervisor – Technical team

Sanawar joined Accrol without any specific career goals. However, he quickly became engaged in the business and progressed through the grades in production, learning all aspects of the Group's converting lines. And, following training by our machinery manufacturers, he was directly involved in line installation projects. In 2011 he became a Supervisor and in 2016, he was appointed to the Technical team. Sanawar has developed a real passion for engineering and is working towards his goal of becoming a fully qualified engineer, a goal he did not think possible until he started working for Accrol. In 2019 Accrol enrolled him on a level three Mechatronics qualification which will give him the formal accreditation he will need to achieve his goal.

"Accrol helped me to value myself and recognise my potential, the Company has given me confidence by believing in me. I am grateful for the opportunities, for the challenges and the investment."

Adeel Mushtaq

Joined Accrol: 2011
Position when joining: Production operative
Current position: Supervisor – Technical team

Prior to moving to the UK, Adeel's background was in Computer Sciences and after joining Accrol he quickly progressed through the grades up to a supervisory position. With his technical background, he started working with the Technical team a couple of years ago and is currently working on his level three Mechatronics. Adeel particularly enjoys training colleagues and working on improvement projects and sees himself progressing into management in the future.

"I am thankful for the support and opportunities given to me by Accrol, to build new skills and improve myself."

Gender pay gap

	2019	2018
Mean Gender Pay Gap	-18%	-14%
Median Gender Pay Gap	5.7%	-18%
Mean Bonus Pay Gap	93.2%	79%
Median Bonus Pay Gap	-1.3%	24 %
Male employees who received a bonus	53.2%	63%
Female employees who received a bonus	6.5%	16%

Our performance

KEY PERFORMANCE INDICATORS

OUR BUSINESS MODEL

We measure our performance against the business model to ensure we are delivering to our key stakeholders. All our targets are stretch targets which support our relentless drive for operational excellence. Sometimes the targets we set are not attainable, but they ensure we never become complacent.

HOW WE MEASURE PERFORMANCE

The right people

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

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
- By paying everyone in the organisation the Real Living Wage or higher

Strong customer relationships

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

Greater shareholder returns

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 (2019: 5).

Comments
While LTAs have remained stable in the year, our increasing focus on safety has resulted in a significant increase (266%) in safety observations, a measure that indicates higher employee engagement within health and safety.

77%
Employee engagement
The measure as determined by the Employee Engagement Survey which is conducted twice a year (2019: 75%).

Comments
Employee engagement continues to improve as the training and development programmes benefit the business.

243%
Increase in output per head
Pallets per head per month produced: Q4 FY20 v Full Year FY18. (Q4 FY18 v Full Year 2018 was an increase of 64%).

Comments:
The target for FY21 is a further improvement of 15% through automation.

All our targets are stretch targets which support and drive our focus on relentless efficiency improvements.

97%
On time delivery
Percentage of deliveries that are delivered on time over a calendar month (2019: 96%).

Comments:
This is in line with our internal targets, which are higher than our customers' targets thereby ensuring we always overdeliver on our promises.

22%
Toilet Tissue growth
Full year sales of Toilet Tissue products to retailers/discounters (2019: 12%).

Comments:
Toilet Tissue is the foundation of our relationship with customers and represents over 77% of our revenue.

25%
Growth in sales to top customers
Growth in sales of all product into our top six customers. Target is for no one customer to account for more than 20% of total revenue. (2019: 22%).

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.

£17.9m
Adjusted net debt
Total borrowing less cash reserves (2019: £27.1m).

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

£10.6m
Adjusted EBITDA
Adjusted to exclude separately disclosed items and IFRS 16 (2019: £1.0m).

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.

22.7%
Adjusted gross margin
Adjusted to exclude the turnaround costs (2019: 18.2%).

Comments:
We had an internal target of 23% and growth continued in the first quarter of FY21. We remain on track to meet of pre-IPO gross margin target of +30%.

A year of significant financial improvement

FINANCIAL REVIEW

Summary

This has been a year of significant financial improvement, with greatly improved revenue and gross margin, due to continued work on productivity and base operating cost. We have maintained our efforts on reducing administration expenses and have tightly managed distribution costs. These improvements have been underpinned with investment in our new systems and operating practices, removing unnecessary waste and enhancing our customer service.

The net result of these improvements was an adjusted EBITDA of £10.6m (£8.3m on a pre-IFRS 16 basis), a £9.6m improvement on the prior year, and bringing the business to breakeven at operating profit level. This represents an improvement of £12.6m on the prior year, as turnaround actions significantly improved exit run rates in the second half.

Net working capital also improved significantly to £6.1m, a £12.2m improvement on prior year, and a demonstration of improved inventory management and debtor terms alongside strong creditor terms, all reflecting improvements within the business's operating model.

Basis of reporting

In these financial statements the Group has, with effect from 1 May 2019, adopted IFRS 16. Under the new standard, the distinction between operating and finance leases has been removed and most leases have been brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The introduction of this standard has had no impact on cashflow. The Group adopted IFRS 16 using the modified retrospective transition approach, with the impact of £0.3m reflected in retained earnings. The prior year financial information has not been restated. The effects of IFRS 16 can be found in note 2.

Income statement (see Table A on page 31)

See table A on page 31 for our income statement.

John Pilkington Group Finance Director

Revenue (see Table B on page 31)

Revenue grew organically by 13.2% to £134.8m, by following our clear strategy to remove lower margin revenues and focus on our core product base. This optimised output and productivity in the plants and delivered high levels of customer service. Toilet tissue revenues grew by 22% in a market in which private label declined by 2%, whilst the total toilet tissue market grew by c.8%, representing an increase in our market share from 12.3% to 13.1%; alongside which facial tissue revenue grew by 5% and kitchen towel fell back by 9%, as we exited some low margin work and focused the business on higher value lines which will positively impact the business in FY21.

Find out more

Key Performance Indicators	**28**
Risk Management	**34**
Financial Statements	**50**

Gross margin

Gross margin improved from 14.7% to 21.9%, reflecting our focus on productivity and optimisation of the production lines, underpinned by investment in our core production capabilities to bring them back to optimum operating standards.

Administration expenses

Administration expenses reduced, again, to 14.0% of revenue (FY19: 16.1%), an absolute reduction of £0.4m year on year.

Foreign exchange charges within administration expenses amounted to £1.2m (2019: £0.1m), of which £0.6m are the result of losses on contracts for USD exchange no longer required as the business continued to improve supplier payment terms.

The implementation of IFRS 16 created an additional depreciation charge of £2.3m, broadly offset by reduction in the rental charges in the year.

Distribution costs

Distribution costs reduced from 9.3% of revenue in FY19 to 8.5%, an absolute increase of £0.4m year on year, reflecting the ongoing focus on optimising the movement of stock and product through the business.

Separately disclosed items

Separately disclosed items reduced significantly from £7.9m in FY19 to £2.2m, reflecting the completion of the stabilising period. These costs included final turnaround costs of £1.0m, comprising operational and management reorganisation, operational improvements and cost reductions, and £0.6m relating to termination costs of foreign currency contracts no longer required.

The FCA investigation closed in the year. Costs amounted to £0.1m in the year, with no further costs anticipated.

This has been a year of significant financial improvement, with greatly improved revenue and gross margin, due to continued work on productivity and base operating cost.

Other income

Other income relates to the disposal of fixed assets in the normal course of operating business, delivering a gain of £0.6m. In future periods we anticipate ongoing disposals of fixed assets as part of normal operating business to enable deployment of new machine technologies.

Net finance costs and taxation

Finance costs increased from £1.3m in FY19 to £1.7m, reflecting an increase in lease costs in the year of £0.5m, following the adoption of IFRS 16.

The Group recorded a deferred tax credit of £0.3m in the year (FY19: £2.3m).

Balance sheet

Property, plant and equipment

Property, plant and equipment increased due to a number of investments to enhance the productivity and efficiency of our core machinery park, infrastructure and systems.

In the machinery park, we have enhanced the reliability and capacity of our core lines by returning them to an improved OEM standard or better, extending their useful lives whilst improving output and up time. In addition, we have enhanced our rewinder capacity. We have invested £3.2m in improving our reliable capacity over the year.

Significant progress was also made during the year on enhancements to IT infrastructure and critical business systems. Implementations of a new Warehouse Management System, HR system and NetSuite Business system were started during the year. These started to successfully go live in early 2020 with completion of all systems by June 2020. Overall, we invested £2.5m in infrastructure and systems during the year.

Intangibles

Intangible assets represent mostly 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.

A. Income statement

	2020 £'000	2019 £'000
Revenue	**134,773**	119,111
Cost of sales	**(105,239)**	(101,559)
Gross profit	**29,534**	17,552
Administration expenses	**(18,810)**	(19,228)
Distribution costs	**(11,490)**	(11,066)
Other income	**585**	–
Operating loss	**(181)**	(12,742)
Net finance costs	**(1,710)**	(1,276)
Loss before tax	**(1,891)**	(14,018)
Tax credit	**312**	2,270
Loss for the year attributable to equity shareholders	**(1,579)**	(11,748)
Loss per share		
Basic	**(0.8)p**	(6.2)p
Diluted	**(0.8)p**	(6.2)p
Operating loss		
Adjusted for:	**(181)**	(12,742)
Depreciation	**4,201**	2,488
Amortisation	**2,040**	2,040
Share based payment	**2,351**	1,316
Separately disclosed items	**2,230**	7,906
Adjusted EBITDA(1)	**10,641**	1,008

(1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments, is a non-GAAP metric used by management. IFRS 16 impact £2.3m giving £8.3m Adjusted EBITDA pre-IFRS 16.

B. Revenue by product

	2020 £'m	2019 £'m	Variance £'m	Variance %
Toilet tissue	**103.1**	84.8	18.3	22%
Kitchen towel	**20.1**	22.0	(1.9)	(9%)
Facial tissue	**10.4**	9.9	0.5	5%
Core revenue	**133.6**	116.7	16.9	15%
Away from home	**0.0**	1.5	(1.5)	(100%)
Other (waste)	**1.2**	0.9	0.3	33%
Total revenue	**134.8**	119.1	15.7	13%

However, the position will be monitored on a regular basis. It is worth noting however that the profitability of the Group remains sensitive to parent reel prices and FX rates. Movements in these have, however, been managed well over the last two years, with increased costs being passed on to customers as they impact the Group, with significantly improving success.

During the year, the Group invested in product development to create two new, innovative products, which have now been launched to the market, 'Super Soft' and 'Oceans'. Together, they created an intangible asset of £0.8m, which will be amortised over the anticipated life of the products.

Working capital (see Table C)

The Group had great success in managing its working capital during the year. The fall in inventory level was primarily driven by raw materials, as a result of improved planning, a further reduction in tissue types and enhanced procurement processes.

The decrease in receivables reflects improved terms secured from a number of our customers, the majority of which have also paid promptly throughout the year, with low levels of default.

Trade payables increased as improved credit terms were offered across the supplier base.

Borrowings and cash flow (see Table D)

The Group achieved further improvements in adjusted net debt, a £9.2m improvement on the prior year.

There was a £19.4m cash inflow from operations in the year (FY19: £5.7m), due largely to the improved trading performance and management of working capital. At the year end, cash balances were £8.1m (FY19: £2.2m) with a further £1.0m available through the factoring facility.

The Group adopted IFRS 16 during the year which added £16.4m to year-end lease liabilities and £6.4m to leases receivable.

C. Working capital

	2020 £'m	2019 £'m	Change £'m
Inventories	**9.4**	11.2	(1.8)
Trade and other receivables	**20.7**	23.1	(2.4)
Trade and other payables	**(24.0)**	(16.0)	(8.0)
	6.1	18.3	(12.2)

D. Borrowings and cashflow

	2020 £'m	2019 £'m	Change £'m
Revolving credit facility	**12.0**	12.0	–
Factoring facility	**11.8**	13.7	(1.9)
Leases	**18.6**	3.6	15.0
Borrowings	**42.4**	29.3	13.1
Leases receivable	**(6.4)**	–	(6.4)
Cash and cash equivalents	**(8.1)**	(2.2)	(5.9)
Net debt	**27.9**	27.1	0.8
IFRS 16 adjustment	**(10.0)**	(–)	(10.0)
Adjusted net debt	**17.9**	27.1	(9.2)

COVID-19

The Group has not furloughed any employees during the COVID-19 situation to date, nor has it been in receipt of any government loans. It has, however, taken the short-term VAT Payments Deferral Scheme, which was launched in March 2020. This positively impacted cashflow during the Period by c.£0.2m.

John Pilkington
Group Finance Director

2 September 2020

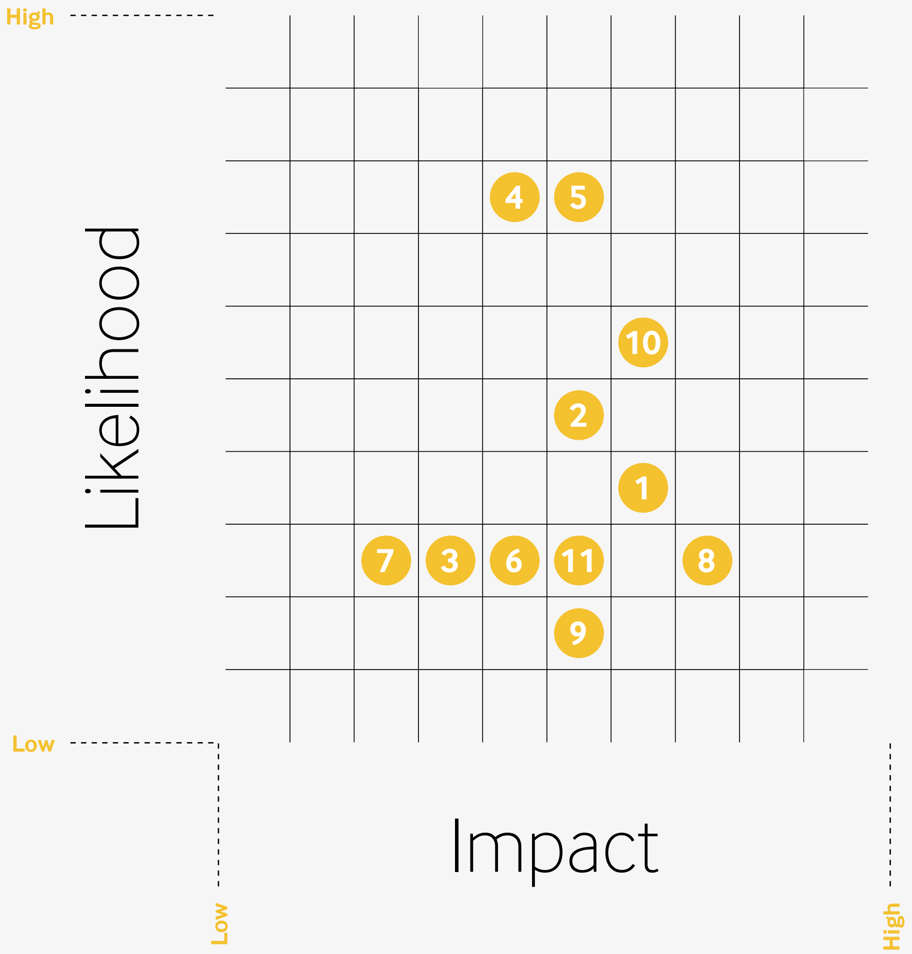
Managing our risks

PRINCIPAL RISKS & UNCERTAINTIES

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

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

RISK HEAT MAP



Risk

1. The loss of a major customer
2. Parent reel and pulp capacity and pricing
3. New entrant into market
4. Winning a large customer contract
5. Volatility of foreign exchange rates
6. The Group relies on IT systems in its day to day operations
7. Key person dependency
8. Failure to adhere to regulatory requirements such as taxation, the Data Protection Act, Health and Safety and Fire safety regulations in particular
9. Failure to meet bank covenants and loss of facility
10. Risk of COVID-19 pandemic impacts workforce and production
11. Brexit – Risk of disruption to supply chain

RISK CHANGE KEY

Increased	Decreased	No change	NEW New risk

PRINCIPAL RISK	IMPACT	MITIGATION	CHANGE	
1 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. › Longer-term contract.	No change	Strong relationships maintained with top six customers. Improved customer focused teams with two new external sales appointments.
2 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.	Decreased	Strong procurement team now in place. Additional tissue mills running and further capacity announced that will positively impact FY21 onwards.
3 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.	No change	High entry barrier maintained despite challenges of turnaround.
4 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. › Add additional machine capacity.	No change	Training and investment has delivered 243% increase in output over the last two years. We intend to invest in further machinery – positively impacting the business in FY22.
5 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.	No change	Whilst the macro conditions have worsened over the year, management of risk has improved.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

	PRINCIPAL RISK	IMPACT	MITIGATION	CHANGE
6	**The Group relies on IT systems in its day to day operations.** Likelihood: Medium	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. › Implementation of warehouse management system and HR/payroll system completed in the year. Integrated ERP system go live in July 2020.	A more robust IT platform now in place providing a platform for improved decision making and future growth.
7	**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 reinforce their commitment to the Company; and › an annual performance review process.	New management structure created and employee engagement relaunched.
8	**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 has 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.	All plans agreed with auditor and insurers as required.
9	**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. › Facilities amended and extended to August 2023 providing additional flexibility and headroom.	Recent additional flexibility and headroom provided by amended banking facilities provide the backing to grow the business.

RISK CHANGE KEY

Increased

Decreased

No change

NEW New risk

PRINCIPAL RISK		IMPACT	MITIGATION	CHANGE	
10	**Risk of COVID-19 pandemic impacting workforce and production.** Likelihood: Medium	Loss of key employees across a number of shifts impacting ability to manufacture and fulfil customer orders.	› Full screening questionnaire including temperature checks in place for all employees, visitors and contractors. › Company specified face coverings for all employees to eliminate potential "contact" including those office staff that can't work from home. Social distancing measures in place including one way systems, staggered clock in and C19 safety reps to ensure compliance. › Additional sanitisation stations and cleaning, increased communication and signage in multi-language. › Internal track and trace process in place with measures implemented across both Blackburn and Leyland locations.	NEW	Risk added as a result of the recent global pandemic.
11	**Brexit – Risk of disruption to supply chain.** Likelihood: Low	Shortage of key raw materials to meet customer orders.	› All key materials are dual sourced as a minimum. Tissue being the major component is supplied from multiple locations (Turkey, Portugal, Egypt) and can be brought into multiple ports. › Majority comes in via Port of Liverpool with Accrol being the second largest customer of the port. › Multiple shipments are received each week with appropriate levels of stocks held.	NEW	Risk added as a result of the current global and national situation.

The Strategic Report, which includes the Chairman's Statement, the Chief Executive Officer's Review, the business model and strategy, the Group Financial Review and the principal risks and uncertainties, was approved by the Board and signed on its behalf by:

Gareth Jenkins
Chief Executive Officer

2 September 2020

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

Dear Shareholder. I am pleased to introduce the Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2020. 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. The strengthening of the Board structures and increased rigour in reporting reported last year to affect the turnaround have continued as the Board has become more settled in its operations.

Over the next 12 months, it is our intention to strengthen the Board further by appointing a Chief Financial Officer, to support the planned growth of the business.

The 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

2 September 2020

Daniel Wright Executive Chairman

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	13/14
Gareth Jenkins	14/14
Euan Hamilton	12/14
Simon Allport	13/14

The 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

Simon Allport (Chair), 2 meetings attended
Daniel Wright, 2 meeting attended
Euan Hamilton, 2 meeting attended

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 meets as and when necessary.

No meetings were held in the year under review.

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

Euan Hamilton (Chair), 2 meetings attended
Daniel Wright, 2 meetings attended
Simon Allport, 2 meetings attended

BOARD OF DIRECTORS

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
- Vision Support Services Group – Chairman

Other commitments

- SolasCure – Director
- Manchester & London Investment Trust plc – Non-Executive Director
- Youth Zone – Non-Executive Director

GARETH JENKINS

Chief Executive Officer

Date appointed

- 11 September 2017

Key strengths

- Extensive strategy, commercial, M&A and operational experience, UK and 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

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 professional services
- Formerly Managing Partner for the North of England at Ernst & Young

Other commitments

- Fitzallan Limited
- The Enterprise Fund Limited
- Etale Limited

Committee key

A Audit Committee
N Nomination Committee
R Remuneration Committee
Member
Chairman

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 and is updated at least annually in the manner recommended by the QCA Code. There is also a summary on the Company website corporate governance page.

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 and the committees meet regularly as described above. 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 this 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 continuing to return 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 2 September 2020.

QCA Principles and Accrol Group Holdings' approach

1. Establish a strategy and business model which promote long-term value for shareholders.
The Company has now completed its turnaround, which 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 Annual Report and Accounts each financial year. Key risks and mitigating factors to our business are also detailed in this Annual Report and Accounts.

The Company's vision is to build a diversified group of size and scale, which is less exposed to input cost fluctuations and is focused on the broader private label personal hygiene and household products markets.

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.

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. Last year the Company carried out its first employee engagement survey, which now repeats twice each year. The level of employee engagement has improved every year and currently stands at 91%, which is a testament to the teamwork throughout the organisation. The survey covers all aspects of the business and drives immediate change and improvement at all levels.

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. See pages 16 to 17 and 26 to 27.

Communication with our customers is fundamental to our success. The Company engages in continuous communication with them 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 in this Annual Report and Accounts (pages 34 to 37) 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.
Since the changes made to the Board for the turnaround, the Board has remained stable, comprising 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 on page 38.

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 39 and the website 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. No Directors are subject to re-election at this year's Annual General Meeting.

It is the Board's intention to strengthen the senior team further in the near-term, with the appointment of a Chief Financial Officer to the Board.

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.

7. Evaluate Board performance based on clear and relevant objectives seeing continuous improvement.
The Chairman is responsible for ensuring an effective Board. He regularly reviews the operations of the Board to ensure that the members of the Board are committed, independent and provide a relevant and effective contribution.

The Company is not required to undertake a formal independent evaluation and, given the changes and pressures faced by the Company, has not yet voluntarily undertaken to do so. The Chairman, however, will review whether or not a formal evaluation may be undertaken in the next financial year.

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 (see pages 11 and 27 of this Annual Report and Accounts) to help monitor the impact of its people related processes.

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 Nomination Committee. 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 has not produced an Audit Committee Report to date but intends to introduce this for the 2021 Annual Report.

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

2 September 2020

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 2020. 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 2020, (page 43); and
- Directors' remuneration policy setting out the Company's remuneration policy (pages 44 to 46).

Euan Hamilton
Chairman of the Remuneration Committee

2 September 2020

ANNUAL REMUNERATION REPORT FOR 2020

Remuneration Committee

Euan Hamilton (chair)
Daniel Wright
Simon Allport

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 FY20 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 2020 and 30 April 2019.

Executive Directors

	Salaries £	Benefits in kind £	Bonus £	**Total remuneration 2020 £**	Total remuneration 2019 £
Gareth Jenkins	301,800	1,815	309,120	**612,735**	457,871
Daniel Wright	90,000	–	120,000	**210,000**	90,000
Steven Townsley(1)	–	–	–	**–**	125,421
Martin Leitch(2)	–	–	–	**–**	64,287

Non-Executive Directors

	Total fees 2020 £	Total fees 2019 £
Euan Hamilton	**49,583**	30,865
Simon Allport	**49,583**	25,220
Joanne Lake(3)	**–**	24,500
Steve Hammett(4)	**–**	20,000

(1) Steven Townsley resigned on 22 January 2019.
(2) Martin Leitch resigned on 23 July 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 FY20

Movement in the share awards and options granted for the three years FY19, FY20 and FY21 are as follows:

	Exercise price (p)	Options at 30 April 2019	Options transferred/ (forfeited) in the period	Options exercised	**Options at 30 April 2020**	Options vested[(1)]
Daniel Wright	0.1	9,412,418	(1,924,351)	–	**7,488,067**	5,700,738
Gareth Jenkins	0.1	16,068,937	(3,850,699)	–	**12,218,238**	9,396,544
Senior managers	0.1	6,869,145	3,887,971	–	**10,757,116**	4,213,357
Total		32,350,500	(1,887,079)	–	**30,463,421**	19,310,639

(1) FY19 vested options subject to a hold period until 21 April (shares can be sold to cover for all tax implications as required).

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.
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 30% of the shares issued on exercise of options subject to lock in arrangements. 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 12 months' written notice. However, payment of remuneration during the notice period will be made monthly and terminated at the discretion of the Company should the individual take up alternative employment.

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

2 September 2020

The Directors present their report together with the audited consolidated financial statements, along with the auditor's report for the year ended 30 April 2020.

Principal activities

The principal activity of the Group is that of soft tissue paper converters, supplying private label toilet roll, kitchen towel and facial tissue to major discounters and major grocery retailers.

Business review and future developments

The Strategic Report on pages 2 to 37, including the Chairman's Statement, Chief Executive Officer's Review and Finance Review, reports on the performance of the Group for the year ended 30 April 2020 and the likely future developments, which forms part of this report by reference.

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
Euan Hamilton
Simon Allport

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 42 to 46. 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 39.

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 2020, the Directors did not pay an interim dividend (2019: £nil) and do not recommend a final dividend (2019: £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 21 to the financial statements.

Environmental reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the SECR Regulations.

Emissions data

KPI	Unit of measure	2018/19 (baseline)	2019/20 (Current)	2019 vs 2020
Direct (Scope 1) CO_2 emissions	$kgCO_2e$	2,839,071	2,750,173	-3%
Indirect (Scope 2) CO_2 emissions	$kgCO_2e$	23,858	21,242	-11%
Emissions from energy exports	$kgCO_2e$	0	0	
Total CO_2e (net energy export)	$kgCO_2e$	0	0	
Energy exported	GWh	0	0	
Total production	Tonnes	71,958	84,781	18%
CO_2e per tonne of production	kg CO_2e/tonne	39.45	32.44	-18%
Energy consumption	MWh	11,240	10,888	-3%

This is the first year that the Company has reported on the level of energy consumed in the UK and although comparisons to the prior year are not yet a requirement, these have been included to demonstrate the reductions achieved to date. The Company has a target of 15% reduction in CO_2 emissions by 2025.

It is the Company's intention to switch all energy, gas and electric to a renewable source as a step towards this target and it is looking at innovative ways to maximise cube space on its lorries to reduce the number of journeys.

The underlying energy data used to calculate carbon emissions includes electricity, gas and other fuels purchased for use on-site and for transport.

Intensity ratio

	52 weeks to 30 April 2020
Carbon $kgCO_2e$:	2,750,173
Intensity ratio	**32.44**

Corporate governance
A report on Corporate Governance and compliance with the QCA Corporate Governance Code is set out on pages 40 to 41, 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 £29,417 (2019: £10,419) were made during the year. There were no political donations during the year.

Research and development
Research and development activities remain a priority. During the year, the Group developed two innovative new products, 'Super Soft' and 'Oceans', both of which have now been released to the market.

Post balance sheet events
Please refer to note 27 of the consolidated financial statements.

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.

Further information can be found in the Section 172 statement on pages 24 to 25.

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.

Fostering relationships with key stakeholders
The business values its relationship with all key stockholders and places great emphasis on maintaining regular reviews to develop and foster business relationships which are integral to longer-term growth and success.

Please see pages 24 to 25 of the Strategic Report, the Section 172 statement.

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 2020, and as at the date of approving 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	4,077,808	2.09%
Gareth Jenkins	610,000	0.31%
Euan Hamilton	–	–
Simon Allport	–	–

Substantial shareholders

As at 20 August 2020, the Company was aware of the following individual registered shareholdings of more than 3% of the Company's issued share capital, representing 57.85% of the issued share capital of the Company.

Investor	Number of shares	Percentage
NorthEdge Capital	27,487,377	14.08%
Schroders	24,308,567	12.45%
Ruffer	15,750,000	8.07%
Killik Asset Management	12,669,868	6.49%
Tellworth Investments	12,395,041	6.35%
Mr William Currie	7,500,000	3.84%
Mr M Kamani	6,501,751	3.33%
Lombard Odier Asset Management	6,332,549	3.24%

Going concern

Details are disclosed in note 2 to 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 virtually at 10:00 on 27 October 2020.

On behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer

2 September 2020

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 2020 which comprise the Consolidated and Company Statements of Financial Position; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity 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 2020 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 twelve 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
Going Concern 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. The outbreak of Covid-19 has resulted in uncertainty in the economy and difficulty in accurately forecasting the performance of the Group going forwards. Management considered implications for the Group's going concern assessment and the disclosure in the Annual Report and accounts, by developing stress test scenarios to model potential impacts and consider compliance with covenants in place. Management are required to make significant estimates and judgements when preparing such forecasts. A small change in the assumptions used may have a significant impact on the cash flows of the Group and the ability to meet these covenants. The assessment of going concern thereby required additional audit effort. For this reason we considered the audit of going concern a key audit matter.	Our audit procedures included examining management's business plan covering the period to August 2021, which is also used as a basis for the discounted cash flow model in the impairment assessment of goodwill and other non-current assets. We examined the cash flow forecasts for key judgements as well as considering downside sensitivities to these. We challenged management's stress test scenarios including levers available to management to mitigate the impacts. We challenged management on the key assumptions included in the scenarios and confirmed management's mitigating actions are within their control. For each scenario we recalculated the key covenants to check that there was still sufficient headroom. The forecast includes key assumptions in respect of (1) the sterling to US dollar foreign exchange rate; (2) parent reel pricing; and (3) the efficiencies from the operational and commercial turnaround which management have put in place over the last two years. We have challenged each area by considering whether the assumptions put in place were realistic based on third party sources and historic trends. We also corroborated each assumption to supporting third party documentation. We re-calculated the covenants both at the year end and quarterly within the forecast period to check there was sufficient headroom. We checked the availability of financing through the going concern period back to loan documentation and agreed the renewal of the revolving credit facility subsequent to the year end through third party documentation. We assessed the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation. **Key observations** Our observations on going concern are set out in the Conclusions relating to going concern section above.
Classification of separately disclosed items As described in Note 2 (accounting policies), Note 3 and Note 6 (Separately disclosed 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 separately disclosed items, 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 loss making forex contracts and certain covid-19 related costs to check the levels reported in non-recurring expenditure are indeed one-off and not expected in future periods. We also checked these costs back to third party supporting documentation. We also challenged the narrative in the front end of the financial statements to check equal prominence was given to both normal and adjusted measures to the financial statements and was consistent with our knowledge. **Key observations** The results of our testing were satisfactory.

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	£672,000 (2019: £236,000)
Basis for materiality	0.5% of revenue (2019: 5% of Loss before tax adjusted for turnaround and operational items)
Rationale for benchmark adopted	Revenue is a stable measure reflecting the operational growth of the business and is not impacted by separately disclosed items which vary year on year as the Group completes its turnaround and is considered to be the measure of most interest to the users of the financial statements as the turnaround comes to an end.

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 £432,000 (2019: £142,000), representing 65% (2019: 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 £399,000 to £598,000 (2019: £120,000 to £234,000). Parent company materiality was £399,000 (2019: £120,000). Materiality for the Parent company was calculated at 60% of group materiality.

We agreed with the audit committee that we would report to them all individual audit differences identified during the course of our audit in excess of £20,000 (2019: £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.

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 parent company and one other component 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. All work was carried out by the group audit team.

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 50, 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
2 September 2020

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

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 APRIL 2020

	Note	2020 £'000	2019 £'000
Revenue	4	**134,773**	119,111
Cost of sales		**(105,239)**	(101,559)
Gross profit		**29,534**	17,552
Administration expenses		**(18,810)**	(19,228)
Distribution costs		**(11,490)**	(11,066)
Other income		**585**	–
Operating loss	5	**(181)**	(12,742)
Analysed as:			
– Adjusted EBITDA[1]		**10,641**	1,008
– Depreciation	11	**(4,201)**	(2,488)
– Amortisation of intangible assets	13	**(2,040)**	(2,040)
– Share based payments		**(2,351)**	(1,316)
– Separately disclosed items	6	**(2,230)**	(7,906)
Operating loss		**(181)**	(12,742)
Finance costs	9	**(1,977)**	(1,276)
Finance income	9	**267**	–
Loss before tax		**(1,891)**	(14,018)
Tax credit	10	**312**	2,270
Loss for the year attributable to equity shareholders		**(1,579)**	(11,748)
Earnings per share		**Pence**	Pence
Basic loss per share	7	**(0.8)**	(6.2)
Diluted loss per share	7	**(0.8)**	(6.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 APRIL 2020

	2020 £'000	2019 £'000
Loss for the year attributable to equity shareholders	**(1,579)**	(11,748)
Other comprehensive income for the year		
Revaluation of derivative financial instruments[2]	**(50)**	50
Tax relating to components of other comprehensive income	**9**	(9)
Total comprehensive loss attributable to equity shareholders	**(1,620)**	(11,707)

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

(1) Adjusted EBITDA, which is defined as profit before finance costs and income, tax, depreciation, amortisation, share based payments and separately disclosed items, is a non-GAAP metric used by management and is not an IFRS disclosure (see note 29).

(2) Items that could potentially be reclassified subsequently to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**39,740**	29,302
Lease receivables	12	**5,703**	–
Intangible assets	13	**26,877**	25,661
Deferred tax assets	10	**288**	–
Total non-current assets		**72,608**	54,963
Current assets			
Inventories	14	**9,373**	11,162
Trade and other receivables	15	**20,680**	23,057
Current tax asset		**40**	191
Lease receivables	12	**649**	–
Cash and cash equivalents	16	**8,147**	2,176
Derivative financial instruments	20	**28**	50
Total current assets		**38,917**	36,636
Total assets		**111,525**	91,599
Current liabilities			
Borrowings	19	**(18,157)**	(16,709)
Trade and other payables	17	**(23,988)**	(15,986)
Provisions	18	**(158)**	(571)
Total current liabilities		**(42,303)**	(33,266)
Total assets less current liabilities		**69,222**	58,333
Non-current liabilities			
Borrowings	19	**(23,827)**	(11,838)
Deferred tax liabilities	10	**–**	(33)
Provisions	18	**(383)**	(2,140)
Total non-current liabilities		**(24,210)**	(14,011)
Total liabilities		**(66,513)**	(47,277)
Net assets		**45,012**	44,322
Capital and reserves			
Share capital	23	**195**	195
Share premium		**68,015**	68,015
Hedging reserve		**–**	41
Capital redemption reserve		**27**	27
Retained earnings		**(23,225)**	(23,956)
Total equity shareholders' funds		**45,012**	44,322

The financial statements were approved by the Board of Directors on 2 September 2020.

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 2020

	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 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		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
Effect of adoption of IFRS 16 (net of tax)		–	–	–	–	314	314
Balance at 1 May 2019		195	68,015	41	27	(23,642)	44,636
Comprehensive (expense)/income							
Loss for the year		–	–	–	–	(1,579)	(1,579)
Revaluation of derivative financial instruments		–	–	(50)	–	–	(50)
Tax relating to components of other comprehensive income		–	–	9	–	–	9
Total comprehensive income		–	–	(41)	–	(1,579)	(1,620)
Transactions with owners recognised directly in equity							
Share based payments (net of tax)		–	–	–	–	1,996	1,996
Total transactions recognised directly in equity		–	–	–	–	1,996	1,996
Balance at 30 April 2020		**195**	**68,015**	**–**	**27**	**(23,225)**	**45,012**

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020 £'000	2019 £'000
Cashflows from operating activities			
Operating loss		**(181)**	(12,742)
Adjustment for:			
Depreciation	11	**4,201**	2,488
(Profit)/loss on disposal of property, plant and equipment		**(585)**	117
Amortisation of intangible assets	13	**2,040**	2,040
Grant income		**(578)**	(118)
Separately disclosed items		**–**	340
Share based payments		**2,351**	1,316
Operating cashflows before movements in working capital		**7,248**	(6,559)
Decrease in inventories		**1,789**	2,554
Decrease in trade and other receivables		**2,251**	6,929
Increase in trade and other payables		**8,176**	1,971
Decrease in provisions		**(254)**	(501)
Decrease in derivatives		**22**	(668)
Cash generated from operations		**19,232**	3,726
Tax received		**197**	2,006
Net cashflows generated from operating activities		**19,429**	5,732
Cashflows from investing activities			
Purchase of property, plant and equipment		**(3,680)**	(3,581)
Proceeds from sale of property, plant and equipment		**650**	358
Purchase of intangible assets		**(3,256)**	–
Receipt of capital element of leases		**623**	–
Lease interest received		**267**	–
Net cashflows used in investing activities		**(5,396)**	(3,223)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		**–**	9,935
Cost of raising finance		**–**	(686)
Amounts received from factoring facility		**161,650**	141,352
Amounts paid to factoring facility		**(163,523)**	(146,339)
New leases (2019: finance leases)		**–**	142
Repayment of capital element of leases (2019: finance leases)		**(4,595)**	(1,011)
Repayment of bank loans		**–**	(3,000)
Transaction costs of RCF		**–**	(284)
Lease interest paid (2019: finance lease)		**(882)**	(167)
Other interest paid		**(712)**	(706)
Net cashflows used in financing activities		**(8,062)**	(764)
Net increase in cash and cash equivalents		**5,971**	1,745
Cash and cash equivalents at beginning of the year		**2,176**	431
Cash and cash equivalents at year end	16	**8,147**	2,176

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 25, which together with the Company form the Accrol Group Holdings plc Group (the "Group").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Application of new standards in the current year

The Group adopted IFRS 16 'Leases' and IFRIC 23 'Uncertainty over Income Tax Treatments' with a transition date of 1 May 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 May 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 'Leases'

IFRS 16 introduces a single lessee accounting model, removing the distinction between operating and finance leases. This results 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). This standard replaced IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease.' IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group also has leasing activities acting as a lessor.

The Group has adopted IFRS 16 from 1 May 2019 using the modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at initial adoption. The comparative information presented for the period ended 30 April 2019 has not been restated. On transition, the Group has elected to apply the following practical expedients permitted by the standard:

- Excluding any operating leases with a remaining lease term of less than 12 months.
- Excluding any low value leases (less than £5,000).

For periods prior to 1 May 2019, the Group classified its equipment leases as finance leases. These leases do not transfer ownership to the Group on completion of the lease liability but are on terms that transfer substantially all the risks and rewards of ownership. The Group also holds assets under finance lease where ownership does transfer on completion of the lease. The accounting treatment for finance leases is similar to the accounting treatment for leases under IFRS 16. The carrying amounts of the right-of-use assets and the lease liabilities on transition at 1 May 2019 were equal to the carrying amounts of the finance lease assets and finance lease liabilities recognised at 30 April 2019.

The Group also has a number of property leases, previously accounted for as operating leases. Under IFRS 16 there is no distinction between operating and finance leases. As a result, the operating leases have been remeasured on transition with future lease payments discounted at the incremental borrowing rate applicable on 1 May 2019. The weighted average incremental borrowing rate applied to lease liabilities where a rate is not included in the lease contract was 4.0%.

The Group accounts as a lessor when accounting for sub-leases. Under IAS 17, the Group treated such leases as operating leases. On transition to IFRS 16, the Group recorded a finance lease receivable, with the corresponding amount netting against the right-of-use asset arising from the head lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IFRS 16 'Leases' continued

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 May 2019:

	Adjustments	30 April 2019 £'000	IFRS 16 £'000	1 May 2019 £'000
Assets				
Property, plant & equipment	(1)	29,302	11,002	40,304
Lease receivables	(2)	–	6,975	6,975
Prepayments and other debtors	(3)	2,076	(126)	1,950
Liabilities				
Accruals	(3)	(2,459)	121	(2,338)
Lease liabilities	(4)	(3,619)	(19,518)	(23,137)
Provisions	(5)	(2,711)	1,934	(777)
Deferred tax	(6)	(33)	(74)	(107)
Equity				
Retained earnings	(7)	(23,956)	314	(23,642)

(1) Property, plant and equipment was adjusted for the creation of right-of-use assets of £11,002,000 relating to operating type leases.
(2) Asset recognised in respect of sub-leases.
(3) Prepaid and accrued rent at 30 April 2019 adjusted against right-of-use assets.
(4) The following table reconciles the minimum lease commitments disclosed in the Group's 30 April 2019 annual financial statements to the amount of lease liabilities recognised on 1 May 2019:

	1 May 2019 £'000
Minimum operating lease commitment at 30 April 2019	22,417
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(2,899)
Lease liabilities for leases classified as operating type under IAS 17	19,518
Plus: leases previously classified as finance type under IAS 17	3,619
Lease liability as at 1 May 2019	23,137

(5) Onerous lease provisions of £1,934,000 in respect of sub-leases, netted against right-of-use assets in the statement of financial position.
(6) Deferred tax liabilities were adjusted to reflect the tax effect of the other adjustments recorded.
(7) Retained earnings were adjusted to record the net effect of all other adjustments noted.

The impact on Adjusted EBITDA and Adjusted net debt as at 30 April 2020 is as follows:

	£'000
Adjusted EBITDA as reported	10,641
Less: impact of IFRS 16	(2,300)
Adjusted EBITDA (excluding IFRS 16)	8,341
Net debt as reported	27,882
Less: impact of IFRS 16	(10,012)
Adjusted net debt	17,870

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Following a review of the standard, the Group concluded that no adjustments to the Group's financial statements were required.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 May 2020:

- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendment – Definition of Material)
- IFRS 3 'Business Combinations' (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Group is currently assessing the impact of these new accounting standards and amendments but does not expect there to be a material impact on the financial statements.

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

Going concern

The Chairman's Statement 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. In summary, the Group generated operating cash of £19.4m and reduced adjusted net debt from £27.1m to £17.9m. The Directors recognise that as at 30 April 2020, the Group has net current liabilities of £3.4m (2019: net current assets of £3.4m). This was considered in conjunction with the review of future cashflows and available facilities. In August 2020, the Group secured improved bank facilities, which provide greater accessibility, flexibility and headroom, extended to August 2023. Further details of the borrowing facilities are set out in note 19.

In determining the appropriate basis of preparation, the impact of the COVID-19 pandemic has been a major consideration. The Board has undertaken an assessment of the financial forecasts with specific consideration to the trading position of the Group in the context of the current COVID-19 pandemic. Downside sensitivity analysis was performed on the assumptions around sales volume, 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.

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. Brexit is likely to determine the scale of any foreign exchange risk, but operational risk is expected to be 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 separately disclosed items. Segment assets are measured at cost less any recognised impairment. Revenue is attributed to geographical regions based on the country of residence of the customer. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting 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.

Separately disclosed items

Items that are material in size or unusual or infrequent in nature are included within operating profit and reported as separately disclosed items 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.

Other income

Other income represents profit on sale of property, plant and equipment.

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 property, plant and equipment. Amortisation is the write down of intangible assets.

The Group's share based payment charge represents incremental incentives to attract new management as part of the turnaround process. Separately disclosed items are material in size or unusual or infrequent in nature. Therefore, to aid comparability between periods and understand the underlying performance of the Group these items 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 — 4% straight line, 20% 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.

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.

Development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS 38 conditions are met. Development costs with a finite useful life that have been capitalised are amortised on a straight-line basis over the period of its expected benefit.

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 13).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments

Financial assets

The Group classifies its financial assets as 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.

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 under the factoring facility) 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 receivables, to which the borrowings under this facility are related, are recognised in the statement of financial position as the Group continues to hold the risk and reward.

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 options 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
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are typically amortised on a straight-line basis over the remaining term of the lease.

Assets that have a useful economic life longer than the lease term are depreciated over the useful economic life and are transferred out of right-of-use assets at the end of the lease term.

The Group accounts as a lessor when accounting for sub-leases. In these instances, the Group records a lease receivable, with the corresponding amount netting against the right-of-use asset arising from the head lease.

Subsequent to initial measurement lease assets increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments received. Income from leases is presented within investing activities in the cashflow statement.

Government grants
Government grants of a capital nature are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Revenue grants are credited to administrative expenses in the income statement in the period to which they relate.

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

Development costs

The Group exercises judgement in determining whether development costs incurred meet the criteria of IAS 38 'Intangible Assets' and hence capitalised. The criteria where judgement is most required is around determining the technical feasibility of completing the project, the availability of adequate technical, financial, and other resources to complete and the existence of the market. Not meeting the criteria would result in these costs being expensed as incurred.

Separately disclosed items

During the course of the year the Group incurred expenditure that is material and considered worthy of being separately disclosed. In order to better explain the underlying performance of the business, management makes a judgement as to which costs should be separately disclosed. Separately disclosing costs that are not appropriate to do so leads to a risk of mis-stating the Group's underlying performance.

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. The additional factors of the COVID-19 pandemic and Brexit have increased the variability in this calculation.

More information including carrying values is included in note 13.

Right-of-use assets

Significant judgement is exercised in determining the incremental borrowing rate. IFRS 16 requires the borrowing rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value in a similar economic environment. A 1% difference in the borrowing rate used would impact the right-of-use asset values and net lease liabilities by c£0.2m.

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 those around parent reel prices, the successful management of any foreign exchange downside 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 by geographical area of destination of the Group's revenue is set out below:

	2020 £'000	2019 £'000
United Kingdom	**128,078**	113,736
Europe	**6,695**	5,375
	134,773	119,111

Major customers

In 2020 there were five major customers that individually accounted for c.10% and above of total revenues (2019: five customers). The revenues relating to these customers in 2020 were £34.6m, £26.1m, £20.8m, £17.1m and £13.8m (2019: £24.5m, £21.4m, £16.5m, £14.1m and £13.9m).

5. OPERATING LOSS

Operating loss is stated after (crediting)/charging:

	2020 £'000	2019 £'000
Employee benefit expense	**15,952**	14,000
Depreciation	**4,201**	2,488
Amortisation of intangible assets	**2,040**	2,040
(Profit)/loss on disposal of property, plant and equipment	**(585)**	117
Operating lease rentals	**–**	3,099
Research and development expensed as incurred	**242**	294
Net foreign exchange losses	**1,174**	39
Grant income	**(578)**	(118)

Auditor's remuneration

	2020 £'000	2019 £'000
Audit services – Company	**13**	13
Audit services – Rest of Group	**67**	65
Non audit services:		
Tax compliance services	**4**	–
	84	78

6. SEPARATELY DISCLOSED ITEMS

	2020 £'000	2019 £'000
Operational reorganisation and restructure	**856**	872
Loss on derivative financial instruments	**639**	–
COVID-19 costs	**209**	–
FCA investigation legal costs	**125**	179
Management reorganisation and restructure	**118**	724
Setting up and subsequent exit from Skelmersdale site	**90**	3,174
Impairment of property, plant and equipment	**–**	130
Raw materials waste	**–**	2,308
Other	**193**	519
	2,230	7,906

A summary of the separately disclosed items for the current year is as follows.

Operational reorganisation and restructure £856,000 (2019: £872,000)
The current year saw the final stages of the complex and comprehensive turnaround activities completed. This included costs associated principally with additional labour and material costs, as legacy performance issues were corrected. The business undertook a full review of the products the site manufactured and the way it was planned, an assessment of the leadership capabilities and reassignment, a skills assessment and training programme, maintenance regimes and a capital investment plan for key upgrades. Transportation and storage costs of £108,000 were also incurred in supporting these activities.

Loss on derivative financial instruments £639,000 (2019: £nil)
Costs of £639,000 were recorded in the period as the business experienced significant positive changes to its supplier terms as a result of improved trading/turnaround actions. This happened much quicker than expected, giving an excess of contract requirements which were subsequently cancelled.

COVID-19 £209,000 (2019: £nil)
The Group incurred incremental costs in March and April, principally relating to overtime and temporary labour of £119,000, to cover employees who were in isolation. Additional logistics, PPE, cleaning and security costs of £90,000 were also incurred.

FCA investigation legal costs £125,000 (2019: £179,000)
As previously disclosed, the FCA initiated an investigation into statements made by the Company between 10 June 2016 and 30 September 2018. Significant consultancy and legal costs associated with the management of this investigation have been incurred, but the Group is pleased to confirm that the FCA have closed their investigation with no action to be taken.

6. SEPARATELY DISCLOSED ITEMS CONTINUED

Management reorganisation and restructure £118,000 (2019: £724,000)

In the early part of the current financial year, final dual resourcing and legal costs of £118,000 were incurred as activities relating to financial planning/reporting and procurement, started in the prior year, were concluded.

A summary of the separately disclosed items for the prior year is as follows:

Setting up and subsequent exit from Skelmersdale site

Incremental labour costs of £1,229,000 were incurred from operating the logistics from multiple sites and under a third party agreement (providing and managing the labour offsite).

Incremental transport costs of £437,000 were for shunting goods from production sites to the warehousing site.

Incremental facility costs of £645,000 were for the unrequired facility that added complexity and cost to the operations in H1 FY20. Costs include rent, rates and utilities charges.

Incremental cost to create space of £185,000 was incurred as the Group downsized from five sites to four, creating short-term pressures on the remaining sites, including the disposal of raw materials, production inefficiency as lines were stopped to manage the stock position and local offsite storage for a brief period.

Project management support of £246,000 included expert advice and temporary support to ensure actions were completed as quickly as possible.

Exit agreement consultancy and legal costs of £176,000 were 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 at a cost of £256,000.

Management reorganisation and restructure

Hiring and exiting directors costs of £172,000 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, costing £110,000, 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 costs of £252,000 were required to support projects which would normally be completed sequentially, but had to be run in parallel. This included the establishment of processes for financial planning and reporting, procurement and paper ordering.

Incremental audit fees of £30,000 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, costing £160,000.

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.

Operational reorganisation and restructure

Redundancy and associated professional fees of £338,000 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, costing £444,000.

Film wrapping costing £90,000 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 outweighed 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 of £2,308,000 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. It was considered 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

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 £519,000. Key elements are described below.

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 totalling £89,000.

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 of £86,000 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 at a cost of £107,000.

7. LOSS PER SHARE

Basic loss per share

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

	2020 £'000	2019 £'000
Loss for the year attributable to shareholders	**(1,579)**	(11,748)

Weighted average number of shares	**Number '000**	Number '000
Issued ordinary shares at 1 May	**195,247**	129,012
Effect of shares issued in the year	**–**	60,180
Weighted average number of ordinary shares at 30 April	**195,247**	189,192
Basic loss per share (pence)	**(0.8)**	(6.2)

Diluted loss per share

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

	2020 £'000	2019 £'000
Loss for the year attributable to shareholders	**(1,579)**	(11,748)

	Number '000	Number '000
Weighted average number of shares (basic)	**195,247**	189,192
Effect of conversion of Accrol Group Holdings plc share options	**–**	–
Weighted average number of ordinary shares at 30 April	**195,247**	189,192
Diluted loss per share (pence)	**(0.8)**	(6.2)

No adjustment has been made in 2020 and 2019 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

	2020 £'000	2019 £'000
Employee costs during the year amounted to:		
Wages and salaries	**12,096**	11,376
Social security costs	**1,218**	1,097
Other pension costs	**287**	211
Share based payments (note 26)	**2,351**	1,316
	15,952	14,000

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

	Number	Number
Production	**372**	350
Administration	**46**	38
	418	388

9. FINANCE COSTS

	2020 £'000	2019 £'000
Bank loans and overdrafts	**712**	706
Lease interest (2019: finance lease interest)[1]	**882**	167
Amortisation of finance fees	**365**	297
Unwind of discount on provisions	**18**	48
Other interest	**–**	58
Total finance costs	**1,977**	1,276

	2020 £'000	2019 £'000
Lease interest income[1]	**267**	–
Total finance income	**267**	–

(1) The Group has initially applied IFRS 16 on 1 May 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Applying IFRS 16 in the current year, the Group recorded additional lease interest costs of £723,000 and lease income of £267,000.

10. INCOME TAX EXPENSE

Tax credited in the income statement

	2020 £'000	2019 £'000
Current income tax		
Current tax on losses for the year	**–**	–
Adjustment in respect of prior periods	**6**	–
Total current income tax credit	**6**	–
Deferred tax		
Origination and reversal of temporary differences	**337**	2,606
Adjustment in respect of prior periods	**(14)**	(175)
Change in tax rate	**(17)**	(161)
Total deferred tax credit	**306**	2,270
Tax credit in the income statement	**312**	2,270

The tax credit for the year is lower than (2019 credit: is lower than) the effective rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before income tax	**(1,891)**	(14,018)
Effective rate	**19%**	19%
At the effective income tax rate	**359**	2,663
Expenses not deductible for tax purposes	**(22)**	(79)
Tax exempt income	**–**	22
Adjustment in respect of prior periods	**(8)**	(175)
Change in rate	**(17)**	(161)
Total tax credit	**312**	2,270

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 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)
Credit/(charge) in year	(88)	212	–	(264)	446	–	306
Credit/(charge) to equity	–	–	9	–	80	(74)	15
30 April 2020	**(1,999)**	**(1,634)**	**–**	**3,161**	**834**	**(74)**	**288**

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

	2020 £'000	2019 £'000
Deferred tax assets	**3,995**	3,733
Deferred tax liabilities	**(3,707)**	(3,766)
	288	(33)

A deferred tax asset of £3,161,000 relating to current and prior year losses has been recognised in the year, on the basis that forecasts show sufficient taxable profits in the foreseeable future to utilise these losses.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £563,000 (2019: £298,000).

Following an announcement in the Budget on 11 March 2020, which was substantively enacted on 17 March 2020, the UK corporation tax rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Right-of-use assets £'000	Total £'000
Cost							
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
Adjustment on initial application of IFRS 16	–	–	(5,619)	–	–	16,621	11,002
Additions	52	185	383	–	3,060	22	3,702
Reclassification	–	–	–	–	–		–
Disposals	–	–	(5,052)	–	–	(485)	(5,537)
At 30 April 2020	**497**	**2,096**	**27,187**	**–**	**3,354**	**16,158**	**49,292**
Accumulated depreciation							
At 30 April 2018	96	644	9,208	39	–	–	9,987
Charge for the year	40	354	2,090	4	–	–	2,488
Disposals	–	–	(1,609)	(43)	–	–	(1,652)
At 30 April 2019	136	998	9,689	–	–	–	10,823
Adjustment on initial application of IFRS 16	–	–	(727)	–	–	727	–
Charge for the year	42	367	1,012	–	–	2,780	4,201
Disposals	–	–	(5,052)	–	–	(420)	(5,472)
At 30 April 2020	**178**	**1,365**	**4,922**	**–**	**–**	**3,087**	**9,552**
Net book value							
At 30 April 2020	**319**	**731**	**22,265**	**–**	**3,354**	**13,071**	**39,740**
At 30 April 2019	309	913	27,786	–	294	–	29,302

The Group has initially applied IFRS 16 on 1 May 2019, which requires the recognition of right-of-use assets in relation to the Group's lease liabilities. As a result, on 1 May 2019, the Group created right-of-use assets of £11,002,000 relating to operating type leases and transferred existing assets with a value of £4,892,000 from plant and machinery to right-of-use assets. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

The depreciation charge for right-of-use assets includes £2,300,000 in respect of operating type leases and £480,000 for assets previously disclosed in plant and machinery.

Assets with a value of £39,740,000 (2019: £29,302,000) form part of the security against the RCF as described in note 19.

12. LEASES

Leases receivable

	Land & buildings £'000	Total £'000
At 1 May 2019	6,975	6,975
Interest received	267	267
Lease payments	(891)	(891)
At 30 April 2020	**6,352**	**6,352**
Analysed as:		
Receivable > 1 year	5,703	5,703
Receivable < 1 year	649	649
	6,352	**6,352**

Lease liabilities

	Land & buildings £'000	Plant & machinery £'000	Total £'000
At 1 May 2019	19,518	3,619	23,137
Additions	–	22	22
Interest expense	723	159	882
Lease payments	(3,877)	(1,600)	(5,477)
At 30 April 2020	**16,364**	**2,200**	**18,564**

Short-term lease expense for the year was £nil. Short-term lease commitment at 30 April 2020 was £nil. Income from sub-leases for the year totalled £267,000.

13. INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Development costs £'000	Computer software £'000	Other £'000	Total £'000
Cost						
At 30 April 2018	14,982	20,427	–	–	126	35,535
Additions	–	–	–	–	–	–
At 30 April 2019	14,982	20,427	–	–	126	35,535
Additions	–	–	764	2,492	–	3,256
At 30 April 2020	**14,982**	**20,427**	**764**	**2,492**	**126**	**38,791**
Amortisation						
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
Charge for the year	–	2,040	–	–	–	2,040
At 30 April 2020	**–**	**11,828**	**–**	**–**	**86**	**11,914**
Net book value						
At 30 April 2020	**14,982**	**8,599**	**764**	**2,492**	**40**	**26,877**
At 30 April 2019	14,982	10,639	–	–	40	25,661

The balance for goodwill and customer relationships 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 four years remaining.

Development costs

During the year, the Group developed two new innovative products, 'Super Soft' and 'Oceans', both of which have now been launched to the market. The development costs capitalised are to be amortised over the life of the products (typically three years).

13. INTANGIBLE ASSETS CONTINUED

Computer software
During the year, the Group has incurred costs in the development of a new ERP system, a warehouse management system and a HR/payroll system.

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 and approved 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 2020 exceeds the carrying value by c.£38m.

Key assumptions
The pre-tax discount rate used in the value in use calculations is 14.0% (2019: 14.0%). 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% (2019: 2%).

Significant capital expenditure was incurred in FY20, as the Group delivered a step change upgrade to its machinery park and business systems. It is assumed that reduced levels of capital cash outflow will be incurred going forward. The Group's share based payment charge 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. The operational aspects of the complex and comprehensive turnaround plan are now complete with significant improvements in business performance. 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. 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. The Group has also considered the potential impact of COVID-19 on consumer behaviour and in the short term believes that it will not have a material impact on performance. However, this will be closely monitored in the coming months.

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 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 6% or an average EBIT performance reduction of £6m per annum between FY22 and FY25. A combination of increasing the pre-tax discount rate by 3% and reducing the EBIT performance by £3m per annum 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.

14. INVENTORIES

	2020 £'000	2019 £'000
Raw materials	**5,517**	7,301
Finished goods and goods for resale	**3,856**	3,861
	9,373	11,162

Inventories recognised as an expense during the year and included in cost of sales amounted to £90,379,000 (2019: £73,014,000). There are £32,000 provisions held against inventories (2019: £781,000).

15. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables	**16,918**	20,996
Less: provision for impairment of trade receivables	**(9)**	(15)
Trade receivables – net of provisions	**16,909**	20,981
Prepayments and other debtors	**3,771**	2,076
	20,680	23,057

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.

16. CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and cash equivalents	**8,147**	2,176

17. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade payables	**17,099**	11,107
Social security and other taxes	**3,094**	1,842
Accruals	**3,795**	2,459
Deferred government grant income	**–**	578
	23,988	15,986

Trade payables are non-interest bearing and are paid on average within 53 days at 30 April 2020 (2019: 44 days).

18. PROVISIONS

	As at 1 May 2019 £'000	IFRS 16 adjustment(1) £'000	Utilised in the year £'000	Discount unwind £'000	As at 30 April 2020 £'000	Current £'000	Non-current £'000
Onerous contracts	2,711	(1,934)	(254)	18	**541**	158	383
	2,711	(1,934)	(254)	18	**541**	158	383

(1) The Group has initially applied IFRS 16 on 1 May 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. On transition, the Group netted onerous lease provisions of £1.9m relating to a sub-lease against right-of-use assets in the statement of financial position.

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 (£162,000) and years 2-5 (£221,000).

19. BORROWINGS

	2020 £'000	2019 £'000
Current		
Revolving credit facility	**1,636**	1,636
Factoring facility	**11,817**	13,690
Leases (2019: finance leases)(1)	**4,704**	1,383
	18,157	16,709
Non-current		
Revolving credit facility	**9,967**	9,602
Leases (2019: finance leases)(1)	**13,860**	2,236
	23,827	11,838

(1) The Group has initially applied IFRS 16 at 1 May 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The changes in liabilities arising from financing activities, from cashflows and non-cash changes for the current and prior year are as follows:

	Current loans & borrowings £'000	Non-current loans & borrowings £'000	Total £'000
At 1 May 2019	16,709	11,838	28,547
Cashflows	(8,062)	–	(8,062)
Non-cashflows:			
Lease adjustments (note 2)	3,154	16,364	19,518
New leases	4	18	22
Interest accrued	1,594	–	1,594
Amortisation of finance fees (note 9)	–	365	365
Allocation from non-current to current in the year	4,758	(4,758)	–
At 30 April 2020	**18,157**	**23,827**	**41,984**

	Current loans & borrowings £'000	Non-current loans & borrowings £'000	Total £'000
At 1 May 2018	21,670	11,759	33,429
Cashflows	(10,000)	(115)	(10,115)
Non-cashflows:			
New leases	885	3,178	4,063
Interest accrued	873	–	873
Amortisation of finance fees (note 9)	35	262	297
Allocation from non-current to current in the year	3,246	(3,246)	–
At 30 April 2019	**16,709**	**11,838**	**28,547**

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 2020 are £397,000 (2019: £762,000).

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

	2020 £'000	2019 £'000
Loan maturity analysis		
Within one year	**18,521**	17,073
Between one and two years	**13,351**	11,438
Between two and five years	**8,072**	798
After five years	**2,437**	–
	42,381	29,309

The following amounts remain undrawn and available:

	2020 £'000	2019 £'000
Revolving credit facility	**–**	–
Factoring facility	**1,012**	1,203
	1,012	1,203

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

HSBC revolving credit facility agreement ("RCF")

At 30 April 2020, the Group had fully drawn £12m against the RCF. The original facility, dated 2 June 2016, was for a period of five years. In August 2020, the facility was amended, increasing the facility to £17m, expiring in August 2023. The facility requires repayment of £2m on each of 30 April 2022 and 30 April 2023.

Interest charged on the facility is at LIBOR plus a margin of 2.20%-2.95%. 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.

HSBC £18m factoring credit facility ("factoring facility")

The Group has a £18m multi-currency factoring facility to provide 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 RCF and the factoring facility. The RCF covenants are interest cover and net leverage ratios. The covenants in relation to the factoring facility cover debt dilution and disputed debt. Breach of the covenants would render any outstanding borrowings subject to immediate settlement. The Group is currently operating within its covenants.

20. 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	2020 £'000	2019 £'000
Current assets	**28**	50
Current liabilities	**–**	–
	28	50

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 2020, the notional principal amount of the outstanding derivative contracts that are held to hedge the Group's transaction exposures was £9.9m. 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.

20. FINANCIAL INSTRUMENTS CONTINUED

Fair values

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

	Fair values and carrying values	
	2020 £'000	2019 £'000
Financial assets		
Current		
Trade receivables	**16,909**	20,981
Cash and short-term deposits	**8,147**	2,176
Derivative financial instruments	**28**	50
Financial liabilities		
Current		
Borrowings	**18,157**	16,709
Trade and other payables	**23,988**	15,986
Non-current		
Borrowings	**23,827**	11,838

21. 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. The Group has also shown adjusted net debt which excludes operating type leases recognised under IFRS 16 to aid comparability to the prior year.

	2020 £'000	2019 £'000
Total borrowings (excluding finance fees)	**42,381**	29,304
Less: lease receivables	**(6,352)**	–
Less: cash and cash equivalents	**(8,147)**	(2,176)
Net debt	**27,882**	27,128
Less: leases recognised on adoption of IFRS 16	**(10,012)**	–
Adjusted net debt (excluding leases recognised on adoption of IFRS 16)	**17,870**	27,128

The Group adopted IFRS 16 during the year which added £16.4m to year-end lease liabilities and £6.4m to lease receivables.

(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:

	2020 £'000	2019 £'000
Euro – loss	**–**	–
USD – loss	**98**	57
	98	57

(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 RCF, 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 a 0.5% increase in interest rates on (loss)/profit before tax is shown below:

	2020 £'000	2019 £'000
Change in interest rate	**119**	128

(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 summarises the maturity profile of the Group's financial liabilities (excluding finance fees). Note that the prior year includes finance leases only.

As at 30 April 2020	**Due within 1 year £'000**	**Due between 1 and 2 years £'000**	**Due between 2 and 5 years £'000**	**Due in more than 5 years £'000**	**Total £'000**
Borrowings	**18,521**	**13,351**	**8,072**	**2,437**	**42,381**
Trade and other payables	**23,988**	**–**	**–**	**–**	**23,988**
Total financial liabilities	**42,509**	**13,351**	**8,072**	**2,437**	**66,369**

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
Total financial liabilities	33,059	11,438	798	–	45,295

(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.

21. CAPITAL AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

(b) Financial risk management continued

(iv) Credit risk continued

At 30 April 2020 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)	205	88	3	16	312
Loss provision (£000)	–	4	–	5	9

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

	2020 £'000	2019 £'000
At the beginning of the year	**(15)**	(815)
Impairment losses recognised	**(1)**	–
Utilisation of provision	**7**	800
	(9)	(15)

Impairment losses recognised are included in the administrative expenses in the income statement, unless otherwise stated. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

22. CAPITAL COMMITMENTS

	2020 £'000	2019 £'000
Contracted for but not provided	**2,583**	341

In the current year, the capital commitments relate to automation of the Blackburn facility.

23. SHARE CAPITAL AND RESERVES

	2020 £'000	2019 £'000
Called up, allotted and fully paid		
Ordinary shares of £0.001 each	**195**	195
	195	195

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

	2020 Number	2019 Number
Ordinary shares of £0.001 each	**195,246,536**	195,246,536

24. DIVIDENDS

The Company did not pay an interim dividend (2019: £nil).

The Directors do not propose to pay a final dividend (2019: £nil).

The total dividend for the year is therefore £nil (2019: £nil).

25. 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.

The Group has taken advantage of the exemption not to disclose intra-group transactions that are eliminated on consolidation.

(b) Directors' emoluments

	2020 £'000	2019 £'000
Short-term employment benefits	**902**	827
Post-employment benefits	**–**	11
Share based payments	**1,793**	1,109
	2,695	1,947

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2019: £nil). The aggregate amount of emoluments paid to the highest paid Director was £613,000 (2019: £458,000).

(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'.

26. SHARE BASED PAYMENTS

Description of share option schemes
The Group operates a Management Incentive Plan, 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 43 to 46.

Movements in the year
On 9 December 2019, 1,887,079 options were forfeited ('Option 2' and 'Additional Option 2') and 3,887,971 options were reallocated to other employees ('Option 2' and 'Option 3'). The transfer did not change any of the underlying conditions, therefore there is no impact on the accounting.

As at 30 April 2020 all options granted remain unexercised.

Terms and conditions of the share option 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 44.

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.

26. SHARE BASED PAYMENTS CONTINUED

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 £2,351,000 (2019: charge of £1,316,000), all of which relates to equity-settled awards.

Movements in share options

Movements in the number of share options outstanding 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 2019	11,505	8,483	7,069	1,405	1,721	400	1,767
Granted in the year	–	–	–	–	–	–	–
Exercised in the year	–	–	–	–	–	–	–
Forfeited in the year	–	(1,604)	–	–	(283)	–	–
In issue as at 30 April 2020	**11,505**	**6,879**	**7,069**	**1,405**	**1,438**	**400**	**1,767**
Exercisable as at 30 April 2020	**8,766**	**–**	**–**	**1,071**	**–**	**–**	**–**

The total number of share options outstanding as at 30 April 2020 was 30,463,421.

27. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end, the Group successfully refinanced its banking facilities, providing greater accessibility, flexibility and headroom, with a revised maturity date of August 2023.

28. CONTINGENT LIABILITIES

In the prior year Annual Report, it was reported that the Financial Conduct Authority (the "FCA") had commenced an investigation into the Company relating to certain statements that it made to the market, covering the period 10 June 2016 to 30 September 2018.

The Company is pleased to report that in January 2020 the FCA notified the Company that its investigation is closed, and no action was to be taken against the Company.

29. 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. Diluted earnings per share adjusts the above for potentially dilutive share options. The following reflects the income and share data used in the adjusted earnings per share calculation.

	2020 £'000	2019 £'000
Loss attributable to shareholders	**(1,579)**	(11,748)
Adjustment for:		
Amortisation	**2,040**	2,040
Separately disclosed items	**2,230**	7,906
Share based payments	**2,351**	1,316
Tax effect of adjustments above	**(1,258)**	(2,140)
Adjusted earnings/(loss) attributable to shareholders	**3,784**	(2,626)

	Number '000	Number '000
Basic weighted average number of shares	**195,247**	189,192
Dilutive share options	**30,463**	–
Diluted weighted average number of shares	**225,710**	189,192

	pence	pence
Basic adjusted earnings per share	**1.9**	(1.4)
Diluted adjusted earnings per share	**1.7**	(1.4)

29. ALTERNATIVE PERFORMANCE MEASURES CONTINUED

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

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

Consolidated income statement

The following table reconciles the Group's operating performance to Adjusted EBITDA. On transition to IFRS 16, the Group adopted the modified retrospective approach and comparatives are not restated. To aid comparability to the prior year, an adjustment has been made to the current year to represent accounting under the previous standard (IAS 17).

	2020 £'000	2019 £'000
Adjusted EBITDA		
Operating (loss)/profit	**(181)**	(12,742)
Adjusted for:		
Depreciation	**4,201**	2,488
Amortisation	**2,040**	2,040
Separately disclosed items	**2,230**	7,906
Share based payments	**2,351**	1,316
Adjusted EBITDA	**10,641**	1,008
Less: adjustment in current year for IFRS 16 impact	**(2,300)**	–
Adjusted EBITDA (pre-IFRS 16 basis)	**8,341**	1,008

	2020 £'000	2019 £'000
Adjusted Gross Profit		
Gross Profit	**29,534**	17,552
Adjusted for:		
Separately disclosed items	**1,008**	4,164
Adjusted Gross Profit	**30,542**	21,716
Revenue	**134,773**	119,111
Adjusted Gross Margin	**22.7%**	18.2%

	2020 £'000	2019 £'000
Adjusted profit/(loss) before tax		
Reported (loss) before tax	**(1,891)**	(14,018)
Adjusted for:		
Amortisation	**2,040**	2,040
Separately disclosed items	**2,230**	7,906
Share based payments	**2,351**	1,316
Adjusted profit/(loss) before tax	**4,730**	(2,756)

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

	Note	**2020 £'000**	2019 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**44,450**	19,534
Total non-current assets		**44,450**	19,534
Current assets			
Trade and other receivables	6	**30,378**	30,408
Cash and cash equivalents		**1**	1
Total current assets		**30,379**	30,409
Total assets		**74,829**	49,943
Current liabilities			
Trade and other payables		**–**	–
Total current liabilities		**–**	–
Total assets less current liabilities		**74,829**	49,943
Net assets		**74,829**	49,943
Capital and reserves			
Share capital	7	**195**	195
Share premium		**68,015**	68,015
Capital redemption reserve		**27**	27
Retained earnings		**6,592**	(18,294)
Total equity shareholders' funds		**74,829**	49,943

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 profit for the year of £22,970,000 (2019: loss of £23,128,000).

The financial statements were approved by the Board of Directors on 2 September 2020.

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 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 April 2018		129	58,832	27	3,737	62,725
Transactions with owners						
Proceeds from shares issued		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
Transactions with owners						
Share based payments		–	–	–	1,916	1,916
Total for transactions with owners		–	–	–	1,916	1,916
Comprehensive income						
Profit for the year		–	–	–	22,970	22,970
Total comprehensive income		–	–	–	22,970	22,970
Balance at 30 April 2020		**195**	**68,015**	**27**	**6,592**	**74,829**

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 25 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.

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.

The Chairman's Statement 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. In summary, the Group generated operating cash of £19.4m and reduced adjusted net debt from £27.1m to £17.9m. The Directors recognise that as at 30 April 2020, the Group has net current liabilities of £3.4m (2019: net current assets of £3.4m). This was considered in conjunction with the review of future cashflows and available facilities. In August 2020, the Group secured improved bank facilities, which provide greater accessibility, flexibility and headroom, extended to August 2023. Further details of the borrowing facilities are set out in note 19 to the consolidated financial statements.

In determining the appropriate basis of preparation, the impact of the COVID-19 pandemic has been a major consideration. The Board has undertaken an assessment of the financial forecasts with specific consideration to the trading position of the Group in the context of the current COVID-19 pandemic. Downside sensitivity analysis was performed on the assumptions around sales volume, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Going concern continued

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. Brexit is likely to determine the scale of any foreign exchange risk, but operational risk is expected to be 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.

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. Carrying values of investments that have previously been impaired are also reviewed at each balance sheet date. If there are indicators that previous impairment losses might have reversed (generally the opposite of the indicators that gave rise to the original impairment) the recoverable amounts are estimated again.

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.

For assets that have previously been impaired, similar estimates would be required to determine whether the reversal of prior impairments should be reversed. The Group will consider the above alongside other factors such as the Company share price.

4. DIRECTORS' EMOLUMENTS

	2020 £'000	2019 £'000
Short-term employment benefits	**902**	827
Post-employment benefits	**–**	11
Share based payments	**1,793**	1,109
	2,695	1,947

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2019: none). The aggregate amount of emoluments paid to the highest paid Director was £613,000 (2019: £458,000). The Company does not have any employees (2019: none).

5. INVESTMENTS IN SUBSIDIARIES

	Group undertakings £'000
Cost	
30 April 2019	19,534
Additions in the year in respect of share based payments	1,916
Reversal of impairment charge	23,000
30 April 2020	**44,450**

The Company's subsidiary undertakings are shown in note 25 to the consolidated financial statements.

Management have reviewed the carrying value of the Company's investment in Accrol UK Limited and decided it is appropriate to recognise the reversal of the prior year impairment charge based on the recovering share price of the Group following improved performance. This has been included in the result for the year. The resulting carrying value is consistent with the Group's estimated value in use.

6. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Prepayments	**–**	13
Amounts owed by Group undertakings	**30,378**	30,395
	30,378	30,408

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

7. ISSUED CAPITAL AND RESERVES

Called up, allotted and fully paid

	2020 £'000	2019 £'000
Ordinary shares of £0.001 each	**195**	195
	195	195

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

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

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.

8. DIVIDEND PAYABLE

The Company did not pay an interim dividend (2019: £nil).

The Directors do not propose to pay a final dividend (2019: £nil).

The total dividend for the year is therefore £nil (2019: £nil).

9. DIVIDEND RECEIVABLE

Dividends received by the Company from its subsidiaries in the year were £nil (2019: £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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BR3 4TU

Auditors
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3 Hardman Street
Spinningfields
Manchester
M3 3AT

Nominated adviser and broker
Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

10 Old Burlington Street
London
W1S 3AG

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