

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. **In particular, such documents should not be forwarded to, or transmitted in or into, the United States.** If you have sold or otherwise transferred part only of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document should be read as a whole and in conjunction with the accompanying Form of Proxy and the Notice of General Meeting set out at the end of this document. You are recommended to read the whole of this document but your attention is drawn to the letter from the Executive Chairman of the Company to Shareholders which is set out in this document and which recommends you vote in favour of the Resolutions to be proposed at the General Meeting.

The Company and the Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including as regards the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares are expected to be admitted to AIM and to commence trading at 8.00 a.m. on 11 December 2017.



ACCROL PAPERS

Accrol Group Holdings plc

(Incorporated and registered in England and Wales with registered no. 09019496)

**Placing of 36,000,000 Placing Shares at a price of 50 pence per Placing Share
and**

Notice of General Meeting

Nominated Adviser and Broker

Zeus Capital

Zeus Capital Limited, which is authorised and regulated by the Financial Conduct Authority and is a member firm of the London Stock Exchange, is acting exclusively for Accrol Group Holdings plc and for no one else in relation to the matters described in this document and will not be responsible to anyone other than Accrol Group Holdings plc for providing the protections afforded to clients of Zeus Capital Limited or for providing advice on any other matter referred to herein. Zeus Capital Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Zeus Capital Limited for the accuracy of any information or opinions contained in this document or for the omission of any information. Zeus Capital Limited, as nominated adviser and broker to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or any other person.

Notice of the General Meeting of Accrol Group Holdings plc to be held at 11.00 a.m. on 8 December 2017 at the offices of Eversheds Sutherland (International) LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES is set out at the end of this document. To be valid, the Form of Proxy for use at the General Meeting, which accompanies this document, must be completed, signed and returned so as to be received by the Company's registrars, Link Asset Services by no later than 11.00 a.m. on 6 December 2017. The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person, if you so wish (and are so entitled). A summary of the action to be taken by Shareholders is set out in paragraph 15 of the letter from the Executive Chairman of the Company included in this document and in the Notice of General Meeting.

This document does not constitute a prospectus, neither does it constitute an admission document drawn up in accordance with the AIM Rules. This document does not constitute an offer to sell or the solicitation of an offer to buy any security. The distribution of this document in, into or within jurisdictions other than the United Kingdom may be restricted by law or regulation and, therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of the relevant jurisdiction.

The Placing Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, subject to certain exceptions, the Placing Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Shareholders who are residents or citizens of any country other than the United Kingdom and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

In accordance with the AIM Rules, this document will be available to Shareholders on the Company's website www.accrol.co.uk from the date of this document, free of charge.

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KEY STATISTICS

Number of Existing Ordinary Shares	93,012,002
Number of Placing Shares to be issued	36,000,000
Issue Price	50 pence
Number of Ordinary Shares in issue following the Placing	129,012,002
Percentage of Enlarged Share Capital represented by Placing Shares	27.9 per cent.
Gross Proceeds of the Placing	£18,000,000

DIRECTORS AND ADVISERS

Directors:	<p>Peter Cheung (<i>Executive Chairman</i>) Gareth Paul Jenkins (<i>Chief Executive Officer</i>) James Paul Maurice Flude (<i>Chief Financial Officer</i>) Joanne Carolyn Lake (<i>Independent Non-Executive Director</i>) Stephen Hammett (<i>Independent Non-Executive Director</i>)</p> <p>All of whose business address is Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD</p>
Company Secretary:	Richard Douglas Almond
Proposed Director	Daniel Patrick Wright Whose business address is Delta Building, Roman Road, Blackburn, Lancashire BB1 2LD
Registered Office:	Delta Building Roman Road Blackburn Lancashire BB1 2LD
Company Website:	www.accrol.co.uk
Nominated Adviser and Broker	Zeus Capital Limited 82 King Street Manchester M2 4WQ
Lawyers to the Company	Eversheds Sutherland (International) LLP 70 Great Bridgewater Street Manchester M1 5ES
Lawyers to the Nominated Adviser and Broker	DWF LLP 1 Scott Place 2 Hardman Street Manchester M3 3AA
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Placing	20 November 2017
Dispatch of the Circular and Form of Proxy	21 November 2017
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 6 December 2017
General Meeting	11.00 a.m. on 8 December 2017
Admission of the Placing Shares to trading on AIM	8.00 a.m. on 11 December 2017

Notes

1. Each of the times and dates set out in the above timetable and mentioned in this document is subject to change by the Company (with the agreement of Zeus Capital), in which event details of the new times and dates will be notified to the London Stock Exchange and the Company will make an appropriate announcement to a Regulatory Information Service.
2. References to times in this document are to London times unless otherwise stated.
3. If you require assistance please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 2006, as amended
“Accrol Papers”	Accrol Papers Limited, a private company incorporated in England and Wales with registered number 3639930 with registered office at Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD
“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and/or the AIM Rules for Nominated Advisers (as the context may require)
“AIM Rules for Companies”	the rules of AIM as set out in the publication entitled “AIM Rules for Companies” published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules of AIM as set out in the publication entitled “AIM Rules for Nominated Advisers” published by the London Stock Exchange from time to time
“Board” or “Directors”	the board of directors of the Company, whose names are listed on page 5 of this document
“certificated” or “in certificated form”	the description of an Ordinary Share or other security which is not in uncertificated form (that is not in CREST)
“Circular” or “this document”	this circular of the Company giving (amongst other things) details of the Placing and incorporating the Notice of General Meeting
“Closing Price”	the closing middle market quotation of an Ordinary Share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange
“Company” or “Accrol”	Accrol Group Holdings plc, a public limited company incorporated in England and Wales under registered number 09019496
“CREST”	the relevant system (as defined in the Regulations) which enables title to units of relevant securities (as defined in the Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations)
“CREST Manual”	the compendium of documents entitled “CREST Manual” by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8), the CREST CCSS Operating Manual and the CREST Glossary of Terms
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual)

“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Enlarged Share Capital”	the entire issued share capital of the Company following completion of the Placing on Admission, assuming no other Ordinary Shares are issued between the date of this document and Admission
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the Operator of CREST
“Existing Ordinary Shares”	the 93,012,002 Ordinary Shares in issue on 20 November 2017 (being the Latest Practicable Date) all of which are admitted to trading on AIM
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“FSMA”	Financial Services and Markets Act 2000
“General Meeting”	the general meeting of the Company to be held at 11.00 a.m. on 8 December 2017, notice of which is set out at the end of this document
“Group”	the Company, its subsidiaries and subsidiary undertakings
“HSE”	Health and Safety Executive
“Issue Price”	50 pence per Placing Share
“Latest Practicable Date”	means 5.00 p.m. on 20 November 2017, being the latest practicable date prior to the publication of this document
“London Stock Exchange”	London Stock Exchange plc
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company
“Parent Reel”	large tissue reels used as raw materials by the Company
“Placing”	the proposed conditional placing by Zeus Capital (on behalf of the Company) of the Placing Shares at the Issue Price
“Placing Agreement”	the conditional agreement dated 17 November 2017 relating to the Placing, between the Company and Zeus Capital
“Placing Proceeds”	the gross proceeds of the issue of the Placing Shares pursuant to the Placing
“Placing Shares”	36,000,000 new Ordinary Shares which are to be conditionally placed for cash with investors in accordance with the terms of the Placing Agreement and whose allotment and issue is conditional (amongst other things) on the passing of the Resolutions
“Registrars” or “Link”	Link Asset Services at, The Registry, Beckenham, Kent, BR3 4TU

“Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001 No.3755), as amended
“Regulatory Information Service” or “RNS”	has the meaning given in the AIM Rules for Companies
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Restricted Jurisdictions”	each of Australia, Canada, Japan, the Republic of South of South Africa, the Republic of Ireland and the United States
“Revised Banking Arrangements”	the Group’s amended banking facilities with HSBC Bank plc which includes revised covenants which have been approved by the credit committee of HSBC Bank plc but which are subject to completion of an amendment and restatement agreement
“Shareholders”	the holders of Ordinary Shares from time to time, each individually a “Shareholder”
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “uncertificated form”	recorded on the relevant register or other record of the Ordinary Shares or other security concerned as being held in uncertificated form in CREST and, title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with company number 04417845, authorised and regulated by the Financial Conduct Authority

All references in this document to “£”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “US\$” or “\$” are to the lawful currency of the United States.

PART I

LETTER FROM THE EXECUTIVE CHAIRMAN OF ACCROL GROUP HOLDINGS PLC



ACCROL PAPERS

Accrol Group Holdings plc

(Incorporated and registered in England and Wales with registered no. 09019496)

Directors:

Peter Cheung, *Executive Chairman*
Gareth Jenkins, *Chief Executive Officer*
James Flude, *Chief Financial Officer*
Stephen Hammett, *Independent Non-Executive Director*
Joanne Lake, *Independent Non-Executive Director*

Registered Office:

Delta Building
Roman Road
Blackburn
Lancashire
BB1 2LD

21 November 2017

Dear Shareholder

**Placing of 36,000,000 Placing Shares at a price of 50 pence per Placing Share
and
Notice of General Meeting**

1. Introduction

The Company announced on 20 November 2017 that it had conditionally raised £18m (before expenses by way of a Placing of 36,000,000 Placing Shares at an issue price of 50 pence per Placing Share). The Placing has been arranged by Zeus Capital acting as sole broker, and the Placing Shares have been placed with certain qualifying investors.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will occur on or around 11 December 2017. The Placing is conditional, *inter alia*, on the passing of the Resolutions at the General Meeting.

The purpose of this letter is to set out the background to, and the reasons for, the Placing. It explains why the Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole. It also recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do themselves in respect of their own beneficial shareholdings.

Shareholder approval will be sought in respect of the Placing at the General Meeting which is convened for 11.00 a.m. on 8 December 2017 at the offices of Eversheds Sutherland (International) LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES.

2. Background to, and reasons for, the Placing

Overview

Accrol is an AIM-quoted independent tissue converter, manufacturing toilet rolls, kitchen rolls and facial tissue products to supply retailers throughout the UK.

Accrol imports Parent Reels from around the world and converts them into finished goods at the Company's three manufacturing and distribution centres, two of which are located in Blackburn together with the new facility at Leyland.

In addition to these facilities, Accrol also has a new finished goods warehouse facility in Skelmersdale which provides central storage and distribution facilities to make the Group's supply chain capabilities more efficient.

As announced on 5 October 2017, the Company has faced a number of significant challenges which have impacted on recent trading and which led to the suspension of the Company's shares from trading on AIM. The Board has taken time to consider its future plans and challenges that lie ahead which are summarised in paragraph 4 below.

3. Lifting of Suspension on AIM

As detailed in the Company's announcement of 5 October 2017, the Company's Ordinary Shares were suspended from trading on AIM on that day. The closing mid-market price of an Ordinary Share immediately prior to suspension was 132p. On 20 November 2017, the Company announced a proposed fundraising of £18m pursuant to the Placing, having (subject to formal legal agreement) renegotiated its banking terms with HSBC Bank plc (details of the revised terms are set out in paragraph 4 below).

The restoration of trading in the Ordinary Shares on AIM took effect immediately following this announcement.

4. CURRENT TRADING AND PROSPECTS

Challenges to Trading Performance

Pulp Paper Market Dynamics and Parent Reel Costs

As previously announced on 5 October 2017, the Company, along with the industry generally, began to experience a sudden and significant change in trading conditions in the second quarter of its current financial year. This was caused principally by rapid inflation in pulp prices with BHKP (hardwood) pulp prices increasing by 40.6 per cent. in the period from January to October 2017*, which relates to the majority of Accrol tissue production, and NBSK (softwood) pulp prices increasing by 13.7 per cent. in the same period. These rises resulted from a reduction in supply of pulp due, principally, to pulp mill closures in China and longer than expected mill maintenance in Brazil, which were also exacerbated by increased Chinese demand for pulp paper. This was further compounded by foreign exchange headwinds. Together, these factors substantially increased the Group's Parent Reel input costs.

** Source: Foex Indexes Ltd*

Price Rises to Customers

Prior to the trading update issued on 5 October 2017, the Company had achieved limited success in passing on these inflationary pressures to its customers. Although input costs rose further in October, as pulp prices continued to rise (detailed above), the Company has, in the last few weeks, made tangible progress on agreeing price increases with its customers and the Board is confident of a positive outcome to these negotiations.

In its evaluation of the funds needing to be raised as part of the Placing, the Board's financial model includes some acceptance of price increases across Accrol's customer base. The Directors will keep this under close review, in light of the highly sensitive nature of price increases to the Company's financial performance and working capital position. In addition, the Board notes that price increases may result in a reduction in volumes from customers. Again, the Board has assumed some volume loss in its financial model but, if there were to be greater volume loss than expected, then this would adversely impact expected financial performance and its working capital position.

Operational Efficiencies and Restructuring

The Board has undertaken a full review of the Group's operations and has begun implementing a comprehensive restructuring to improve operational efficiencies.

The Company plans the following actions over the next 12 months, which the Board believes could result in savings of circa 6 per cent. per annum:

- a proposed reduction in headcount of 89, currently in a consultation period, and reduction in overall labour costs;
- an ongoing focus on reduction in waste levels;
- a reduction in the number of SKUs;

- investment in systems and people to deliver efficiencies in purchasing, logistics, storage and manufacturing; and
- streamlining and rationalising supply lines.

As the business drives towards its goal of being a leader in operational excellence in the industry it has increased its focus on improving and redeploying skills throughout the manufacturing process, and expects to see tangible results over the next 12 months.

Working Capital Management

The Company has already implemented a number of working capital initiatives, which have resulted in working capital improvements of circa £5m (relating to reduction in finished goods, raw material stocks and the collection of older debtors). The operations team will continue to seek to identify opportunities to improve working capital, including the simplification of the manufacturing process.

Foreign Exchange Hedging

In FY17, the Group entered into a significant volume of forward currency contracts ahead of, and following, the EU referendum, selling Sterling and purchasing both US\$ and Euro. The Company continued and will continue to follow the same policy in FY18.

Banking Update

The Group currently has a revolving credit facility of £16m (reducing to £14m in 30 April 2018) drawn at £15m, and an Invoice Discounting facility (the "ID facility") of £23m. The Group has reached agreement with HSBC Bank plc to revise its covenants in line with the Directors' current expectations of trading. In addition to standard liquidity (minimum cash balance) and asset coverage covenants, the revised covenants include a trading covenant based on minimum EBITDA levels, which is, in turn, based on a minimum EBITDA for the year ending 30 April 2019 of £4.6m. Taking into account the agreed tolerances from this minimum adjusted EBITDA level, the covenant tests can be summarised as follows:

Date of Test	Adjusted EBITDA
30 April 2018 for previous 12 months	(£2,782,000)
31 July 2018 for previous 3 months	(£12,000)
31 October 2018 for previous 6 months	£1,116,000
31 January 2019 for previous 9 months	£2,381,000
30 April 2019 for previous 12 months	£4,125,000

These minimum adjusted EBITDA levels are subject to upward revision in the event that there are upgrades to analyst forecasts.

The minimum adjusted EBITDA levels, on which this covenant is set, are highly sensitive to the following three factors, namely Parent Reel pricing, US\$/Sterling exchange rates and level of turnover.

Any breach of the trading covenant would trigger a 90-day standstill period (commencing from the 15th day following the breach test date), during which time the bank will not be able to withdraw its facilities or enforce its security, as long as the Company complies with its obligations during that period. It is likely in such a scenario that the Company would need to consider all funding possibilities available at that time, which could include refinancing of its debt facilities and/or raising further equity.

The Group has reached agreement with HSBC Bank plc for the revolving credit facility to remain committed until 13 June 2021 and the ID facility is committed for a three month rolling period, in line with the terms of the existing agreement. As is normal with such facilities, the advance rate against fundable debtors in relation to the ID Facility is subject to change, pursuant to the terms of the facility, and the Directors believe this is a standard term incorporated into the majority of invoice discounting providers terms and conditions. To the extent the advance rate reduces, this would decrease the level of funding available to the Group under the facility.

The Revised Banking Arrangements have received credit approval from HSBC Bank plc but are subject to formal legal agreement. It is anticipated that formal legal agreement of the Revised Banking Arrangements, which is a condition of the Placing, will be in place ahead of the General Meeting and conditional only on Admission.

Update on Health & Safety Matters

As previously announced at a hearing on 12 October 2017, Accrol Papers Limited (a wholly owned subsidiary of the Company) pleaded guilty to a single health and safety regulatory offence arising out of an incident, whereby an employee sustained a serious injury to the top of his right index finger whilst attempting to remove a paper jam from a section of machine. The accident resulted in the employee's right index finger being crushed and subsequently amputated below the first distal joint. The employee returned to work two weeks after the injury occurred and remains an employee of the Company. The HSE has indicated to the Company that the offence sits within the "high culpability" category (which is disputed by Accrol Papers Limited), meaning it is seeking a fine in the range of £550,000 to £2.9 million for this incident with a starting point of £1.1m. The Court has stated that Accrol Papers Limited will receive maximum credit for its early guilty plea. Consequently, any fine imposed will be subject to a discount of one third. Sentencing is expected on 17 January 2018 and, as previously announced, any such fine is likely to have a material impact on the Company's cash position. An announcement detailing the fine will be made following this hearing. The employee has since issued a civil claim which is being handled by the Group's insurer.

The Company takes the health and safety of its employees very seriously and has co-operated fully with the HSE in its investigations. In common with other manufacturing businesses, however, there are workplace accidents from time to time. Since January 2016 (to the date of this announcement) Accrol Papers Limited has submitted a total of 11 reportable incidents to the HSE (excluding the incident referred to above) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. Accrol Papers Limited has not received any communication from the HSE following submission of these reports. The Board is of the view that this indicates that there is unlikely to be further prosecution. However, Accrol Papers Limited cannot guarantee that there will be no further investigations or prosecutions made by the HSE in respect of such reported incidents.

The Company is aware that the Local Authority is intending to inspect the Company's Skelmersdale warehouse which is operated by a third party on the Company's behalf. This is as a result of previous HSE concerns relating to the stacking of pallets at that site. Therefore, further investigations or enforcement actions cannot be discounted.

5. Use of Proceeds

In light of the factors described above, the Directors intend to use the Placing Proceeds to:

- (i) mitigate the identified short-term funding requirement;
- (ii) support the future working capital requirements of the Group;
- (iii) implement restructuring to improve operational aspects of the business;
- (iv) implement plans to review and improve the Group's health & safety procedures;
- (v) assist in meeting the revised banking covenants contained in the Revised Banking Arrangements; and
- (vi) pay the costs associated with the Placing.

6. Working Capital Position

The Directors believe, having taken into account the proceeds of the Placing and the availability of funds pursuant to the Revised Banking Arrangements, that the Group will have sufficient working capital for its short-term requirements. However, the Board is unable to make any confirmations about sufficiency of working capital beyond this, due to the Group's working capital being highly sensitive to, amongst other things, Parent Reel pricing, foreign exchange fluctuations and level of turnover. As such, there can be no guarantees that the funds raised pursuant to the Placing, together with the available bank and other facilities that will be in place following Admission, will be sufficient for the Group's requirements for the next 12 months and that the Group may require further funds to be raised during this period to secure the Company's longer-term future.

Outlook

Given the ongoing input cost pressures, the Board expects that the Group will break even or make a marginal loss in the year to 30 April 2018 at the adjusted EBITDA level. In view of this, the Board will not be proposing a final dividend for the current year.

The Directors expect the Company to return to a small profit at adjusted EBITDA level in the year to 30 April 2019, which will enable it to comply with the requirements of the EBITDA banking covenant test detailed above. It is the Board's intention to return to the dividend list at the earliest appropriate opportunity.

The net debt position of the Company on Admission, taking into account the net proceeds of the Placing of £18m, is expected to be approximately £22m and the Directors expect that this will move to no more than approximately £23m by 30 April 2018.

As mentioned above, the Group's trading performance is extremely sensitive to a number of key variables which could have a significant effect (positive or negative) on the Company's profitability, which could in turn lead to a breach of the trading covenant detailed above. These sensitivities, which underpin the Company's expected financial performance for FY2018 and FY2019, include:

- Parent Reel pricing;
- the exchange rate between Sterling and US\$; and/or
- level of turnover.

7. Other changes

Proposed New Director Appointment and Management Changes

Conditional on the Placing completing and on Admission, it is proposed that Dan Wright will join Accrol's main board as a non-executive director. Dan joins the Company as a non-executive director, having previously spent eight years at NorthEdge Capital, a lower mid-market private equity fund targeting businesses in the north of England, where he was founder Partner, Chief Operating Officer and Head of Portfolio with primary responsibility for financial, development, portfolio and operating matters. Dan held a Board role at Accrol Group Holdings Limited, prior to the IPO, from July 2014 – the time of NorthEdge's investment into the Company. Dan has also held previous roles at Cable Partners LLC, Deutsche Morgan Grenfell Private Equity and RBS, during which time he was involved in multiple restructuring and refinancing projects. Further details in relation to Dan Wright, including those required by Schedule 2(g) of the AIM Rules for Companies will be provided in a separate announcement once the appointment is confirmed.

The Company has created a new interim COO role and appointed Don Coates, formerly CEO of DS Smith Paper, Powerflute and Brintons Carpets, to the operational board. His experience of operational and business restructuring in quoted and private equity backed organisations requiring step change improvement is considerable.

A senior finance executive, Martin Leitch, has also been appointed to the operational board on an interim basis to support in the restructuring of the business. He began his career with Price Waterhouse and has subsequently held a number of senior finance roles in major quoted and private equity backed businesses. Martin has significant experience in manufacturing and consumer facing businesses.

Management Incentive Arrangements

In order to incentivise the delivery of key performance measures over the longer term a new management incentive scheme will be introduced following completion of the Placing.

8. Details of the Placing

Structure

The Directors have given careful consideration as to the structure of the proposed placing and have concluded that the Placing is the most suitable option available to the Company and its Shareholders at this time.

Placing Shares will be issued through the Placing at 50 pence per Placing Share to raise gross proceeds of £18m.

The allotment and issue of the Placing Shares is conditional on shareholder approval for the Directors to allot the Placing Shares and for statutory pre-emption rights to be disapplied in respect of such allotment.

Principal Terms of the Placing

In accordance with the terms of the Placing Agreement, Zeus Capital has, as agent for the Company, conditionally placed, with institutional and other investors, the Placing Shares at the Issue Price to raise gross proceeds of £18m.

The Placing is not being underwritten.

Under the Placing Agreement, the Company has agreed to pay to Zeus Capital a fixed sum and commissions based on the aggregate value of the Placing Shares placed at the Issue Price and the costs and expenses incurred in relation to the Placing together with any applicable VAT.

Conditionality

The Placing is conditional, amongst other things, upon the following:

- the passing, without amendment, of the Resolutions;
- Admission occurring by no later than 8.00 a.m. on 11 December 2017 (or such later time and/or date as may be agreed between the Company and Zeus Capital, being no later than 5.00 p.m. on 29 December 2017);
- the completion of legal documentation to reflect and implement the Revised Banking Arrangements which shall be conditional only upon Admission; and
- the Placing Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms.

If the conditions set out above are not satisfied or waived (where capable of waiver), the Placing will lapse and the Placing Shares will not be allotted and issued and no monies will be received by the Company from investors in respect of the Placing Shares.

Application for Admission

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Admission is expected to take place, and dealings on AIM are expected to commence, at 8.00 a.m. on 11 December 2017 (or such later time and/or date as may be agreed between the Company and Zeus Capital). No temporary documents of title will be issued.

Effect of the Placing

The Placing Shares will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of this document and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

Upon completion of the Placing the Placing Shares will represent approximately 27.9 per cent. of the Enlarged Share Capital.

Important notice

In issuing this document and structuring the Placing in this manner, the Company is relying on the exemption from issuing a prospectus in section 85(5) and paragraph 9 of Schedule 11A of FSMA and on paragraphs 43 and 60 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

9. Risk Factors

The attention of Shareholders is drawn to the risk factors set out in Part II.

10. The Placing Agreement

Pursuant to the terms of the Placing Agreement, Zeus Capital, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing Agreement is conditional upon, among other things, the conditions set out above (please see 'conditionality' in paragraph 8 of this Part I) and none of the warranties or undertakings given to Zeus Capital prior to Admission being or becoming untrue, inaccurate or misleading in any material respects.

The Placing Agreement contains customary warranties given by the Company in favour of Zeus Capital in relation to, among other things, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Zeus Capital (and its affiliates) in relation to certain liabilities which they may incur in respect of the Placing.

Zeus Capital has the right to terminate the Placing Agreement in certain circumstances prior to Admission. In particular, in the event of breach of the warranties or a material adverse change or if the Placing Agreement does not become unconditional.

11. Intentions of the Directors and the Proposed Director in relation to the Placing

The following Directors and the Proposed Director intend to subscribe for an aggregate of 400,000 Placing Shares as follows:

Name	Title	Number of Shares subscribed for	Value of shares subscribed for	Resulting shareholding	Percentage of Enlarged Share Capital
Peter Cheung	Chairman	50,000	£25,000	661,683	0.51%
Gareth Jenkins	CEO	100,000	£50,000	100,000	0.08%
Steve Hammett	Non-executive Director	40,000	£20,000	40,000	0.03%
Joanne Lake	Non-executive Director	10,000	£5,000	35,000	0.03%
Dan Wright	Proposed Director	200,000	£100,000	200,000	0.16%

12. Directors' Interests

The interests (all of which are beneficial unless stated otherwise) of the Directors, the Proposed Director and each of their immediate families and of persons connected with them (within the meaning of Section 252 of the Act) in the Existing Ordinary Shares (but excluding any interests of the Directors, Proposed Director and persons connected with them under the Group's management incentive plan known as the Accrol Group Management Incentive Plan) and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director or the Proposed Director as at the Latest Practicable Date and as they are so expected to be upon Admission are as set out at paragraph 11.

13. Related Party Transactions

Related Party Transactions

Peter Cheung, Gareth Jenkins, Steve Hammett, Joanne Lake and Dan Wright each of whom are either a Director or a Proposed Director have conditionally subscribed for an aggregate of 400,000 Placing Shares as set out above. NorthEdge Capital LLP, a substantial shareholder in the Company (as defined by the AIM Rules for Companies) has conditionally subscribed for 5,500,000 Placing Shares. Therefore, the participation of each of these parties in the Placing constitutes a related party transaction under Rule 13 of the AIM Rules for Companies.

In the case of each of the Directors or Proposed Director above who have conditionally committed to invest, the remaining Directors on the Board shall be deemed to be the independent directors and, in the case of NorthEdge Capital LLP, all Directors of the Board shall be deemed to be independent. Therefore, having consulted with the Company's Nominated Adviser, Zeus Capital, each of the Directors', the Proposed Director's and NorthEdge Capital LLP's participation in the Placing is considered, by the relevant independent Directors, to be fair and reasonable insofar as Shareholders are concerned.

14. General Meeting

The Directors do not currently have authority to allot all of the Placing Shares and accordingly the Board is seeking approval of Shareholders to allot the Placing Shares at the General Meeting.

The General Meeting of the Company, notice of which is set out at the end of this document, is to be held at 11.00 a.m. on 8 December 2017 at the offices of Eversheds Sutherland (International) LLP, at Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions in order to approve the authorities required to allot and issue the Placing Shares.

A summary and explanation of the Resolutions is set out below. Please note that this is not the full text of the Resolutions and you should read this section in conjunction with the Resolutions contained in the Notice of General Meeting in Part III of this document.

Resolution 1: Authority to allot shares

This ordinary resolution will grant the Directors authority to allot the Placing Shares for the purposes of the Placing. The authority given by this Resolution will expire 90 days after the date of the passing of the Resolution. This authority will be in addition to that given to the Directors at the annual general meeting of the Company which took place on 22 September 2017.

Resolution 2: Disapplication of pre-emption rights

Conditional on the passing of Resolution 1, Resolution 2 disapplies the statutory pre-emption rights in respect of the allotment of the Placing Shares to be allotted pursuant to Resolution 1 in connection with the Placing. The authority given by this Resolution will expire 90 days after the date of the passing of the Resolution. This authority will be in addition to that contained in the special resolution passed at the annual general meeting of the Company which took place on 22 September 2017.

15. Action to be taken

Enclosed with this document is a Form of Proxy for use at the General Meeting and a reply-paid envelope for use in connection with the return of the Form of Proxy. **Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Link Asset Services, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 6 December 2017.**

If you complete and return the Form of Proxy, you may still attend and vote at the General Meeting should you wish to do so. Shareholders who hold their Ordinary Shares through a nominee should instruct their nominees to submit a Form of Proxy on their behalf.

16. Importance of voting

If Shareholder approval of the Resolutions is not achieved, the Placing will not proceed, the Revised Banking Arrangements will not proceed and the Company is at risk of not being able to continue trading as a going concern. Under such circumstances, Shareholders could lose all or a substantial amount of the value of their investment in the Company. Accordingly, the Directors believe that the successful completion of the Placing represents the best option available to the Company and Shareholders.

17. Recommendation

The Directors consider that the Placing and the passing of the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly the Directors unanimously recommend that Shareholders vote in favour of the Resolutions as they intend to do in respect of their beneficial holdings of an aggregate of 881,363 Existing Ordinary Shares, representing approximately 0.95 per cent. of the Existing Ordinary Shares.

The Placing is conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Placing will not proceed.

Yours faithfully

Peter Cheung
Executive Chairman

PART II

RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors believe to be certain of the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Company's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the Placing Shares could decline and an investor may lose all or part of their investment. There can be no certainty that the Company will be able to implement successfully the strategy set out in this document or documents referred to in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Company.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

The Group's principal activity is tissue conversion for the manufacture of toilet rolls, kitchen rolls, facial tissues. As with any business in this sector, there are risks and uncertainties relevant to the Group's business. Certain of these risk factors affect the majority of businesses, some are common to businesses in this sector and others are more specific to the Group.

Specific Risk Factors

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

The Group is subject to a fine to be imposed by the Health and Safety Executive in relation to the breach of a health and safety regulation, the level of which is uncertain

Following an incident at the Company's manufacturing centre on 14 May 2016, on 12 October 2017 Accrol Papers (a wholly owned subsidiary of the Company) pleaded guilty to a single health and safety regulatory offence enforced by the HSE. Accrol Papers shall receive credit for its early guilty plea and the level of fine is expected to be confirmed on 17 January 2018. The HSE has indicated to the Company that it is seeking a fine in the range of £550,000 to £2.9 million because this incident is deemed to sit within the "high culpability" category which is resisted by the Group. Whilst the Group expects that any fine imposed will be subject to a discount of one third as a result of its co-operation with the HSE investigation and its early guilty plea, the imposition of such a fine could have a material adverse effect on the Group's profitability in the short term.

As noted in paragraph 4 of Part 1 of this circular, there have been 11 other reported incidents to the HSE and there is an impending Local Authority visit due to the Company's warehouse at Skelmersdale. Whilst there has been no communication from the HSE at this time in respect of those incidents, there can be no guarantee that there will be no further investigations or prosecutions made by the HSE or Local Authority in respect of such reported incidents, inspections or investigations which may result in further fines. The Group will continue to cooperate with the HSE and is engaging an independent consultant to advise on the Group's current health and safety policies and procedures as a whole but whilst the Group strives to improve its practices, in the event of any further breach, there is a risk that the HSE may scrutinise the Group more closely.

Parent Reels price volatility

The Group sources its Parent Reels from external suppliers and considers that Parent Reel prices are subject to price volatility. If Parent Reel prices were to rise above the Group's expectations and the Group was unable

to offset such increases through cost savings or price increases, that could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to Foreign Exchange risks

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

The Group has a concentrated customer base and relies on a number of key customers

The Group has a number of key customer relationships. The top 10 customers contributed c. 76 per cent. of the Group's revenues in FY17, with the largest customer making up c. 23 per cent. of the Group's revenues. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on the retention of key business relationships. Some of these relationships are not formally contracted and contracted relationships do not guarantee orders

Whilst the Group has agreed terms and conditions with approximately half of its top 10 customers, the contracts which the Group does have in place with the top 10 customers do not provide for minimum orders volumes. As a result, the Group is exposed to the risk that any of those customers could cease or reduce their purchases from the Group and/or seek to change the terms and conditions on which they trade with the Group without any prior notice, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be exposed to future cost inflations including products, employees and/or other fixed costs

Any change in the costs of operating the Group could impact on the Group's profitability as the Group have seen. Such cost increases could be incurred from increased cost of supplies (including, amongst other things, raw materials, labour and energy costs) or increased costs to be incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance and price increases with customers are also difficult in such a competitive market. Additionally, because the Group operates in the discount sector of the market, gross margins are lower which provides less flexibility for the Group's pricing strategy if operational costs were to rise.

The Company may be unable to agree price rises with its customers

The Company's financial model includes some acceptance of price increases across the Group's customer base. However, there is no guarantee that such price increases will be accepted by all of the Company's customers. Additionally, in the event of future costs increases of raw materials on the Company, the Directors may wish to increase prices again. There is a risk that such further proposed price increases will not be accepted by the Company's customers which could have a material adverse effect on the Group's profits. Further, the Company may lose certain of its customers if it is not able to agree new prices and the Company takes the view that such customer contracts would therefore be unprofitable for the Group. Even if price increases are accepted by customers, the Directors expect that there will be some form of reduction in the volume of sales generated by these customers. Collectively, this could have a material adverse effect on the Group's financial condition, profitability and turnover.

Key competitors could increase their share of the market and compete more effectively with the Group

Mergers and acquisitions in the sector could lead to the emergence of new, larger competitors which may be able to utilise efficiencies of scale in order to compete more effectively with the Group. Similarly, smaller new entrant competitors may be able to respond more quickly to changing circumstances in the sector which may enable them to respond to new opportunities more quickly than the Group is able to do. Additionally, if any of the Group's major competitors seek to gain market share by reducing prices, the Group

may need to reduce its prices in order to remain competitive, which may require a change in operating strategies and could result in a decrease in profitability of the Group's business. If the Group is unable to respond effectively to these multiple sources of competition then the Group could lose market share, which could adversely impact the Group's ability to retain existing customers and to compete for new customers.

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

The Group places orders on the basis of expected levels of customer demand and manufacturing output. Variability in customer demand and/or unexpected events may result in the Group being unable to effectively anticipate the quantity of Parent Reels required which could result in the Company purchasing more Parent Reels than necessary (which may harm profitability and increase storage costs) or fewer Parent Reels than required (which could affect the Group's ability to fulfil customer orders).

The Company's financial covenants under the Revised Banking Arrangements are subject to a number of sensitivities

The Company is subject to a number of financial covenants pursuant to the Revised Banking Arrangements, including a trading covenant which is calculated by reference to minimum adjusted EBITDA levels. These minimum adjusted EBITDA levels are highly sensitive to the following factors: Parent Reel pricing, foreign exchange fluctuations and level of turnover. Minor changes in any of these areas could significantly affect the Company's ability to comply with the covenant levels agreed as part of the Revised Banking Arrangements. In the event of a breach of such covenants, HSBC Bank plc would have the right (subject to the standstill period described further above under the heading "Banking Update") to declare an event of default. Such an event could have a material adverse effect on the Company's financial condition and working capital position.

The advance rate against fundable debtors under the Group's ID Facility is subject to amendment by HSBC Bank plc

Under the Revised Banking Arrangements, the advance rate available to the Company in relation to its debtors is subject to change. Any reduction of funding available to the Company under this facility would have the effect of reducing the working capital available to the Company. Whilst the Directors believe that such a provision is a standard term incorporated into the majority of invoice discounting providers' terms and conditions, any reduction of the advance rate against the fundable debtors could have a negative impact on the Company's financial condition and working capital position.

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

The Group has two manufacturing, storage and distribution centres in Blackburn, Lancashire together with a manufacturing facility in Leyland, Preston and a central warehouse in Skelmersdale. Any material disruption in its production systems at either Blackburn or Leyland could have a material adverse effect on the Group's ability to fulfil customer orders which could affect how the Group is perceived by its customers and may hinder the Group's ability to compete effectively. Additionally, the Group uses IT systems to monitor its stock levels, production lines and enterprise resource planning. Any sustained interruption in the Group's production or IT systems could therefore have a material adverse effect on the Group's efficiency, profitability and ability to compete effectively.

The Group may not be able to accurately predict or fulfil customer preferences

The Group intends to continue to launch new products in order to support its strategy of growth in order to meet customer preferences and demand. However, there is no guarantee that the Group will be able to develop new products sufficiently quickly or of sufficient quality to satisfy its customers. Additionally, there is no guarantee that any new product created by the Group would sufficiently fulfil customer preferences and new product lines may have lower margin than current products or may be loss-making when considered individually. The Group's revenues and profits may be materially adversely impacted should any new product lines be unsuccessful.

The Group's sales and profits are concentrated in certain key markets which could shrink, or grow at a slower rate than expected

The Group's products are concentrated entirely in the tissue market. Should there be adverse movement in either or both of these markets, certain or all of the Group's customers could reduce or cancel orders, which could have a detrimental impact on the Group's sales and profits.

The Group may be unable to successfully implement its strategic and operational review

As part of the Group's strategic and operational review, the Group intends to implement a restructuring of the Group's operations. Such restructuring may have a destabilising effect on the Group's activities, including engagement of the Company's employees and other stakeholders, particular in the event of more wide scale changes and reduction of employee headcount. Therefore, there can be no guarantee that such changes will result in an immediate positive impact on the business or its financial condition.

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

The Group has set out a strategy for growth and there can be no certainty that the Group will be able to implement successfully its growth strategy. The ability of the Group to implement those strategies in a competitive market will require effective management planning and operational controls and there is a risk that the Company may be unable to effectively deliver its growth strategy.

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

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

Potential clawback of grant

The Group is in receipt of a grant in the sum of £1m awarded in June 2014 in respect of the purchase of three new converting lines together with associated packaging equipment and job creation in respect of these three operating lines ("Project"). The monitoring period for this grant is expiring in June 2019. This grant is, however, subject to clawback for a number of reasons including but not limited to if it is deemed by the grantor that the future of the Project is in jeopardy or there is a significant change in the scale or nature of the Project. The current restructuring does not anticipate any such changes to the three converting lines but there may be events in the future (which may not be foreseeable) which could trigger a right to repayment. If the target number of jobs created is not fulfilled at the end of the monitoring period, repayment is only required in the sum of £11,000 per employee below the deemed target.

The Company's ability to generate sales is subject to general economic conditions and volatility

Market conditions may affect the ultimate value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy, variations in operating results, announcements of technological innovations or new products and services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Group's markets, and other factors outside the Group's control. Market perception of companies in this sector may change which could impact on the value of investors' holdings and on the ability of the Group to raise funds by an issue of further shares in the Company. Further, general economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates may have an impact on the Company's cost of raising and maintaining debt financing should it seek to do so in the future. Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up and investors may therefore not recover their original investment especially as the market in the Ordinary Shares may have limited liquidity.

The Group is subject to certain risks associated with Brexit

The UK voted to leave the EU in a referendum held on 23 June 2016 and the Group faces risks associated with the political and economic instability associated with this decision. A UK exit from the EU may materially

change the legal and regulatory framework that would be applicable to the Group's operations in the future and could lead to restrictions on opportunities for further funding in addition to the Company's ability to trade. It could have a direct impact on the Group due to unfavourable movements in exchange rates, particularly the British Pound which could weaken significantly against overseas currencies, including the US Dollar and Euro. The Group purchases the majority of its Parent Reels in foreign currencies, with significant purchases in US Dollars and Euros. Should exchange rates move in an unfavourable manner as a result of Britain leaving the European Union which the Group has experienced since the referendum, the impact of this will be an increase in raw material costs which could have a material adverse impact on the Group's business, financial condition and results of operation if it not able to increase its retail prices to consumers.

The market price of the Ordinary Shares may be subject to greater price volatility than is typical

The Group suspended the trading on AIM of its Ordinary Shares on 5 October 2017 until 20 November 2017. During this time, Shareholders were unable to sell their Ordinary Shares. There is, therefore, a risk that the trading history of the Ordinary Shares on AIM may cause some Shareholders to divest their Ordinary Shares, which may have a negative effect on the market price of the Ordinary Shares.

The Group depends on the performance and retention of the Directors and its executive management team

The Group's success depends on the continued services of the Directors and its executive management team, who have extensive experience and knowledge of the Group and its business and strategy, and on the establishment and operation of appropriate central finance and administrative functions. The Group has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate personnel could have a negative impact on the ability of the Group to effectively implement its strategy. Employment agreements do not prevent employees from terminating their employment at any time and, whilst key individuals' employment agreements contain restrictive covenants designed to prevent them competing against the Group for a period, there can be no certainty that they will be enforceable.

The working capital position of the Group is short term and the Group may need additional capital in the longer term to grow and develop its business, however this additional capital may not be available to the Group

The Group is not able to make any confirmation about its long-term working capital requirements and, therefore, the Group may need to seek additional capital over and above that raised in the Placing and the finances made available through the Group's existing banking facilities, whether from further equity issues, the issue of further debt instruments or additional bank borrowings to finance its investments or for other business purposes in the longer term. No assurance can be given as to the availability of such additional capital at any future time or, if available, whether it would be available on acceptable terms.

Although the Directors believe that the Group's financings are on reasonable terms, there can be no guarantee that future financing will be available on terms that the Group considers acceptable. Whilst the Group has reached agreement with HSBC Bank plc for its revolving credit facility to remain committed until 13 June 2021 and its facility is committed for a 3 month rolling period, as is normal with such ID facilities, the advance rate against fundable debtors is subject to change. Therefore, to the extent the advance rate is reduced, this would decrease the level of funding available. The Group may have difficulty in repaying, renewing, extending or refinancing its existing financing facilities or the terms of any new facilities entered into by the Group in the future could be more onerous than the terms of the Group's existing financing facilities. In addition, a higher level of indebtedness increases the risk that the Group may default on its obligations, be unable to fund its operations or be unable to pay dividends to Shareholders. If the Group seeks to raise additional capital or refinance its existing debt facilities and is not successful in doing so, it may have a material adverse effect on the Group's business, financial condition and prospects and/or operating results.

General Risk Factors

Quotation on AIM, liquidity and possible price volatility

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

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

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. In addition, there can be no guarantee that the Group's Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Legislation and tax status

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

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

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

Taxation

The tax rules and their interpretation relating to an investment in the Company may change during its life.

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

Dividends

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

Forward looking statements

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

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

PART III

NOTICE OF GENERAL MEETING



ACCROL PAPERS

Accrol Group Holdings plc

(Incorporated and registered in England and Wales with registered no. 09019496)

Notice is hereby given that a General Meeting of Accrol Group Holdings plc (the "Company") will be held at 11.00 a.m. on 8 December 2017 at the offices of Eversheds Sutherland (International) LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES for the purposes of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. That the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**2006 Act**"), in addition to all existing authorities to the extent unused, to exercise all the powers of the Company to allot ordinary shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of £36,000 on, and subject to, such terms as the directors may determine. This authority, unless renewed, extended, varied or revoked by the Company in a general meeting, shall expire 90 days after the date of the passing of this resolution, save that the Company may, prior to the expiry of such period, make an offer or agreement which would or might require shares to be allotted in the Company after such expiry and the directors may allot shares in the Company in pursuance of such offer or agreement notwithstanding the expiry of the authority given by this resolution.

SPECIAL RESOLUTION

2. That, subject to the passing of resolution 1, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "**2006 Act**") to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority conferred by resolution 1 above as if section 561 of the 2006 Act did not apply to any such allotment. This power, unless renewed, extended, varied or revoked by the Company in general meeting, shall expire 90 days after passing of this resolution save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board

Richard Almond

Company Secretary

21 November 2017

Registered Office

Delta Building
Roman Road
Blackburn
Lancashire
BB1 2LD

NOTES TO THE NOTICE OF GENERAL MEETING

1. A member entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies of their own choice to exercise all or any of their rights to attend, speak and vote on their behalf at the General Meeting. A member can only appoint a proxy using the procedures set out in these notes and the notes to the accompanying form of proxy.
2. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may not appoint more than one proxy to exercise rights attached to any one share. The proxy need not be a member of the Company, but must attend the General Meeting to represent the member. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies.
3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified Resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to the Resolutions) which may properly come before the General Meeting.
4. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the Company's register of members in respect of the joint holding.
5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member; provided that each representative is appointed to exercise the rights attached to a different share or shares held by the member.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Register of Members at close of business on 20 November 2017 (the "Specified Time") (or if the General Meeting is adjourned to a time more than 48 hours after the Specified Time, taking no account of any part of a day that is not a working day, by close of business on the day which is two working days prior to the time of the adjourned General Meeting) shall be entitled to attend and vote thereat in respect of the number of shares registered in their name at that time. If the General Meeting is adjourned to a time not more than 48 hours after the Specified Time (taking no account of any part of a day that is not a working day), that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned General Meeting. Changes to the Register after the relevant deadline shall be disregarded in determining rights to attend and vote.

Appointment of proxy using hard copy proxy form

7. Members may appoint a proxy or proxies by completing and returning a form of proxy by post to the offices of the Company's registrars using the business reply address on the form, or in an envelope addressed to, Link Asset Services, FREEPOST, PXS, 34 Beckenham Road, Beckenham, Kent BR3 9ZA; or delivering a form of proxy by hand at the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU during normal business hours. In the case of a member which is a corporation, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or an attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power of authority) must be included with the proxy form. Any such power of attorney or other authority cannot be submitted electronically.
8. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars by the method outlined in note 7 above no later than 11.00 a.m. on 6 December 2017. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Appointment of proxy using CREST electronic proxy appointment service

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Termination of proxy appointments

13. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the General Meeting.
14. In order to terminate the authority of a proxy, or a corporate representative of a corporation, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke such appointment to the Company's registrars. To be effective, the notice of termination must be received by the Company's registrars by the method outlined in note 7 above no later than 11.00 a.m. on 6 December 2017.

Voting Rights

15. As at 20 November 2017, being the latest practicable date prior to the printing of this Notice, the Company's issued capital consisted of 93,012,002 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 20 November 2017 are 93,012,002.

Communications

16. This Notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the General Meeting as at 20 November 2017, being the latest practicable date prior to the printing of this Notice, will be available on the Company's website www.accrol.co.uk.
17. Except as provided above, members who have general queries about the General Meeting should contact Richard Almond (Accrol Group Holdings plc, Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD). No other methods of communication will be accepted. Any electronic address provided either in this Notice or in any related documents (including the accompanying form of proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

