

**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 specifically to the letter from the Executive Chairman of the Company to Shareholders which is set out in this document and which recommends that 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 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 1 June 2018.**



ACCROL PAPERS

# Accrol Group Holdings plc

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

**Placing of 53,333,334 Placing Shares at a price of 15 pence per Placing Share and  
Notice of General Meeting**

**Nominated Adviser and Broker**

*Zeus Capital*

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Zeus Capital Limited, which is authorised and regulated by the Financial Conduct Authority and is a member firm of London Stock Exchange plc, 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 London Stock Exchange plc which are not owed to the Company or its Directors or any other person.

Notice of the General Meeting of Accrol Group Holdings plc to be held at 11.00 a.m. on 31 May 2018 at Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE 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 29 May 2018. 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 19 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 proceeded 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 at [www.accrol.co.uk](http://www.accrol.co.uk) from the date of this document, free of charge.

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## KEY STATISTICS

Number of Existing Ordinary Shares	129,012,002
Number of Placing Shares to be issued	53,333,334
Issue Price	15 pence
Number of Ordinary Shares in issue following the Placing	182,345,336
Percentage of Enlarged Share Capital represented by Placing Shares	29.25 per cent.
Gross proceeds of the Placing	£8,000,000
Net proceeds of the Placing	c.£7,500,000
TIDM	ACRL
ISIN	GB00BZ6VT592
LEI	213800MC56M5G69RJ226

## DIRECTORS AND ADVISERS

<b>Directors:</b>	Daniel Patrick Wright ( <i>Executive Chairman</i> ) Gareth Paul Jenkins ( <i>Chief Executive Officer</i> ) Angus Martin Leitch ( <i>Interim Chief Financial Officer</i> ) Joanne Carolyn Lake ( <i>Independent Non-Executive Director</i> ) Stephen Hammett ( <i>Independent Non-Executive Director</i> )  All of whose business address is Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD
<b>Company Secretary:</b>	Richard Douglas Almond
<b>Registered Office:</b>	Delta Building Roman Road Blackburn Lancashire BB1 2LD
<b>Company Website:</b>	<a href="http://www.accrol.co.uk">www.accrol.co.uk</a>
<b>Nominated Adviser and Broker</b>	<b>Zeus Capital Limited</b> 82 King Street Manchester M2 4WQ  10 Old Burlington Street London W1S 3AG
<b>Lawyers to the Company</b>	<b>Addleshaw Goddard LLP</b> One St Peter's Square Manchester M2 3DE
<b>Lawyers to the Nominated Adviser and Broker</b>	<b>DWF LLP</b> 1 Scott Place 2 Hardman Street Manchester M3 3AA
<b>Registrars</b>	<b>Link Asset Services</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>PR</b>	<b>Belvedere Communications Limited</b> Enterprise House 1-2 Hatfields London SE1 9PG

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Placing	15 May 2018
Dispatch of the Circular and Form of Proxy	15 May 2018
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 29 May 2018
General Meeting	11.00 a.m. on 31 May 2018
Admission of the Placing Shares to trading on AIM	8.00 a.m. on 1 June 2018

### 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 Limited), in which event details of the new times and dates will be notified to London Stock Exchange plc 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 0300. 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:

<b>“Accrol Group MIP” or “MIP”</b>	the Accrol Group Management Incentive Plan as described in paragraph 11 of Part I of this Circular
<b>“Act”</b>	the Companies Act 2006, as amended
<b>“Admission”</b>	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies and/or the AIM Rules for Nominated Advisers (as the context may require)
<b>“AIM Rules for Companies”</b>	the rules of AIM and guidance notes as set out in the publication entitled “AIM Rules for Companies” published by the London Stock Exchange from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the rules of AIM and guidance notes as set out in the publication entitled “AIM Rules for Nominated Advisers” published by the London Stock Exchange from time to time
<b>“Board” or “Directors”</b>	the board of directors of the Company, whose names are listed on page 5 of this document
<b>“Brexit”</b>	the term used commonly to refer to the departure of the United Kingdom from the European Union following a referendum held on 23 June 2016
<b>“certificated” or “in certificated form”</b>	an Ordinary Share or other security recorded on a company's share register as being held in certificated form (that is not in CREST)
<b>“Circular” or “this document”</b>	this circular of the Company giving (amongst other things) details of the Placing and incorporating the Notice of General Meeting
<b>“Closing Price”</b>	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
<b>“Company” or “Accrol”</b>	Accrol Group Holdings plc, a public limited company incorporated in England and Wales under registered number 09019496
<b>“CREST”</b>	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 is the Operator (as defined in the Regulations)
<b>“CREST Manual”</b>	the compendium of documents entitled “CREST Manual” published 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
<b>“CREST member”</b>	a person who has been admitted to CREST as a system-member (as defined in the CREST Regulations)

<b>“CREST participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations)
<b>“CREST Regulations” or “Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time)
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member
<b>“December 2017 Placing”</b>	the placing of 36,000,000 Ordinary Shares completed by the Company on 21 November 2017 and the admission of such shares to trading on AIM on 11 December 2017
<b>“EBITDA”</b>	earnings before interest, tax, depreciation and amortisation
<b>“Enlarged Share Capital”</b>	the entire issued share capital of the Company following Admission, assuming no other Ordinary Shares are issued between the date of this document and Admission and excluding any Open Offer Shares which may be issued under the proposed Open Offer
<b>“EU”</b>	the European Union
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the Operator of CREST (as defined in CREST Regulations)
<b>“Existing Ordinary Shares”</b>	the 129,012,002 Ordinary Shares in issue on the Latest Practicable Date) all of which are admitted to trading on AIM
<b>“Form of Proxy”</b>	the form of proxy accompanying this Circular for use by Shareholders in relation to the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000
<b>“FY17”</b>	the financial year ended 30 April 2017
<b>“FY18”</b>	the financial year ended 30 April 2018
<b>“FY19”</b>	the financial year ending 30 April 2019
<b>“FY20”</b>	the financial year ending 30 April 2020
<b>“FY21”</b>	the financial year ending 30 April 2021
<b>“General Meeting”</b>	the general meeting of the Company to be held at 11.00 a.m. on 31 May 2018, notice of which is set out at the end of this document
<b>“Group”</b>	the Company, its subsidiaries and subsidiary undertakings
<b>“Group’s Lender”</b>	HSBC Bank plc
<b>“HSE”</b>	the Health and Safety Executive
<b>“Issue Price”</b>	15 pence per Placing Share or Open Offer Share
<b>“ID Facility”</b>	the Group’s invoice discounting facility with the Group’s Lender, details of which are set out in paragraph 6 of Part I of this Circular
<b>“Last Practicable Date”</b>	means 5.00 p.m. on 14 May 2018, being the latest practicable date prior to the publication of this document
<b>“London Stock Exchange”</b>	London Stock Exchange plc

<b>“Notice of General Meeting”</b>	the notice of General Meeting set out at the end of this document
<b>“Open Offer“</b>	the proposed conditional open offer proposed to be made by the Company of the Open Offer Shares at the Issue Price
<b>“Open Offer Resolutions”</b>	the resolutions numbered 3 and 4 in the Notice of General Meeting
<b>“Open Offer Shares”</b>	up to 13,333,333 new Ordinary Shares which are to be offered to Shareholders pursuant to the Open Offer and whose allotment and issue is conditional (amongst other things) on the passing of all of the Resolutions and the completion of the Placing
<b>“Ordinary Shares”</b>	ordinary shares of £0.001 each in the capital of the Company
<b>“Parent Reel”</b>	large tissue reels used as raw materials by the Company
<b>“Placing”</b>	the proposed conditional placing by Zeus Capital (on behalf of the Company) of the Placing Shares at the Issue Price
<b>“Placing Agreement”</b>	the conditional agreement dated 15 May 2018 relating to the Placing made between the Company and Zeus Capital
<b>“Placing Proceeds”</b>	the gross proceeds of the issue of the Placing Shares pursuant to the Placing
<b>“Placing Resolutions”</b>	the resolutions numbered 1 and 2 in the Notice of General Meeting
<b>“Placing Shares”</b>	53,333,334 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 Placing Resolutions
<b>“RCF”</b>	the Group’s revolving credit facility with the Group’s Lender, details of which are set out in paragraph 6 of Part I of this Circular
<b>“Registrars” or “Link”</b>	Link Market Services Limited, trading as Link Asset Services, a company incorporated in England and Wales with company number 2605565 of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
<b>“Regulatory Information Service” or “RIS”</b>	has the meaning given in the AIM Rules for Companies
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting set out in the Notice of General Meeting, comprising the Placing Resolutions and the Open Offer Resolutions
<b>“Shareholders”</b>	the holders of Ordinary Shares for the time being, each individually a “Shareholder”
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“uncertificated” or “uncertificated form”</b>	recorded on the relevant register or other record of the Ordinary or 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
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“Zeus Capital”</b>	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 and 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 Group Holdings plc

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

*Directors:*

Daniel Patrick Wright, *Executive Chairman*  
Gareth Paul Jenkins, *Chief Executive Officer*  
Angus Martin Leitch, *Interim Chief Financial Officer*  
Stephen Hammett, *Independent Non-Executive Director*  
Joanne Carolyn Lake, *Independent Non-Executive Director*

*Registered Office:*

Delta Building  
Roman Road  
Blackburn  
Lancashire  
BB1 2LD

15 May 2018

Dear Shareholder

### **Placing of 53,333,334 Placing Shares at a price of 15 pence per Placing Share and Notice of General Meeting**

#### **1. Introduction**

The Company announced on 15 May 2018 that it had conditionally raised £8.0 million (before expenses) by way of a Placing of 53,333,334 Placing Shares at an issue price of 15 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 1 June 2018. The Placing is conditional, *inter alia*, on the passing of the Placing 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 all of the Resolutions to be proposed at the General Meeting, as certain of the Directors intend to do themselves in respect of their own beneficial shareholdings.

In addition, the Company intends to raise up to a further £2.0 million by way of a conditional open offer to Shareholders (other than certain overseas Shareholders) pursuant to which those Shareholders will be invited to subscribe for Open Offer Shares, each Open Offer Share being offered at the Issue Price on a basis that is pro rata to their existing shareholdings. The Open Offer will also allow for Shareholders to apply for more than their pro rata entitlement to the extent that the Open Offer is not fully subscribed. The Open Offer will be conditional on the passing of all of the Resolutions at the General Meeting and on the Placing having completed. Further details of the Open Offer will be announced, and a circular outlining the terms of the Open Offer will be sent to Shareholders, in due course.

The Placing is not conditional on the Open Offer proceeding or on any minimum take-up under the Open Offer.

Shareholder approval will be sought in respect of the share capital authorities required in order to issue the Placing Shares and the Open Offer Shares at the General Meeting which is convened for 11.00 a.m. on 31 May 2018 at Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE.

**The Placing cannot proceed unless the Placing Resolutions are passed at the General Meeting. The authorities granted by the Open Offer Resolutions, if passed, cannot be used for any purpose other than in respect of the Open Offer.**

## **2. Background and Strategy**

### ***Background***

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 three manufacturing centres, two of which are located in Blackburn and one is located in Leyland.

As announced on 19 March 2018, the Group's trading performance in FY18 was significantly impacted by three major issues, namely an escalation in internal costs, input costs and adverse foreign exchange hedging. The Group has been and is continuing to make important progress in terms of improving operational efficiency, winning new business and pricing.

Accrol has a strong platform on which to build. It has a strong market position in the UK, supplying major discounters and grocery retailers. The Directors believe that the Group enjoys an excellent reputation for innovative products that outperform many of the branded competitors in independent market comparisons.

Accrol has strengthened its leadership and governance over recent months with the appointment of a new CEO in September 2017, a new COO in October 2017 and a new Executive Chairman in February 2018. In addition, the Company is in the process of recruiting a new permanent CFO.

Accrol is also progressing its intention to exit its highly fragmented away from home ("AFH") business due to the non-core nature of the work.

### ***Strategy***

The Company's strategy is to simplify and strengthen its core business in order to deliver recovery and growth. The Directors' objective is for the business to become a more focused own-label company, generating sustainable free cash flow and continuing to grow through its market share position in what they consider to be a fast growth segment of the tissue market. Accrol is progressing its strategy, driving greater disciplines in how it operates and focusing the business on its core consumer growth markets. The Directors are confident that, with its focus on being a leading manufacturer with the lowest operational cost base, the business will deliver enhanced performance through increased business simplification, efficiency and standardisation.

Accrol has an established market position and its key strategic priority is to focus on the attractive, growing and profitable markets. Its market share position in the discount sector is particularly favourable, as the business grows on the back of its customers' own growth. The Directors believe they can strengthen Accrol's customer offering further:

- by extending its practice of securing longer terms contracts;
- by including indexation in its customer agreements where appropriate, discussions for which are progressing; and
- by increasing its portfolio of products to include pocket packs, nappies and feminine products.

The Directors believe that, by building on the Group's strong customer portfolio, the business can become the leading supplier of own-label paper-based products to discounters and grocery retailers.

### **3. Recent developments**

Accrol has recently secured some major growth volume wins notified by new and existing customers that will positively impact revenue in the core consumer sector from August 2018.

Accrol has also agreed non-legally binding heads of terms to exit its onerous central distribution hub in Skelmersdale, which the Directors believe will result in savings of at least £5 million per annum. In addition, the business is progressing well in its restructuring programme, which the Directors expect will result in further reductions in its operational costs by August 2018.

The simplification process of the business is progressing well. The SKU range is expected to reduce from over 500 to less than 130 by July 2018 which, in conjunction with the exit from AFH and in the Directors' opinion, positions the core Accrol business well for continued growth due to its revised cost base and machine capability.

Accrol has agreed in principle a sole distribution agreement with one of its major suppliers for the distribution of one of its consumer products in the UK. Discussions to supply a range of other tissue related products are also underway.

It is anticipated that the new tissue line investment in Leyland once commissioned (scheduled to happen by August 2018) will be filled to the majority of its capacity through new committed volumes. As the simplification process continues to progress the Directors expect the business to increase its capacity to enable further growth. This additional tissue line is expected to be part-funded by a finance lease, details of which are set out below.

In line with its simplification strategy, Accrol continues to reduce its product range in line with its customer requirements which has seen a c.50 per cent. reduction since the end of 2017. These changes have helped to drive operational and working capital efficiencies throughout the business.

### **4. Current trading**

The Directors confirm that they continue to expect that Accrol's underlying EBITDA for FY18 will be in line with market expectations.

### **5. Reasons for the Placing and the Open Offer**

The Company is undertaking the Placing and the Open Offer in order to raise funds to continue to support the Group's programme of simplification, aid its recovery and provide more working capital. The proceeds of the Placing and the Open Offer will enable Accrol to continue delivering on its business recovery and support its plan of becoming the leading supplier of own-label paper-based products to discounters and grocery retailers.

### **6. Banking update**

#### ***Facilities***

The Group currently has a revolving credit facility (the "RCF") of £16 million, drawn at c.£15 million, which is committed until 10 June 2021. As announced on 1 May 2018, the scheduled reduction in the limit of the RCF by £2 million to £14 million, which was due to occur on 30 April 2018, has been deferred until 31 October 2018.

The Group also has an Invoice Discounting facility (the "ID Facility") of £23 million. The ID Facility is committed for a three month rolling period and the advance rate against fundable debtors in relation to the ID Facility is subject to change, pursuant to the terms of the facility. To the extent the advance rate reduces, this would decrease the level of funding available to the Group under the ID Facility.

In addition, indicative terms have been established for the finance lease funding of the new tissue line, which is scheduled to be commissioned at the Leyland plant in August 2018, which will allow the business to service new business wins.

## **Covenants**

As announced on 1 May 2018, the EBITDA covenant tests in respect of the periods ended 30 April 2018 and ending 31 July 2018 have been waived.

The Group's Lender has also agreed to work with the Group following completion of the Placing to agree appropriate revised financial covenants, and a revised RCF reduction profile, in respect of FY19, FY20 and FY21. These are intended to be set with reference to Board approved versions of the Group's latest forecasts, after taking into account a reasonable view of financial sensitivity headroom.

Notwithstanding the above, the remainder of the Group's existing banking covenants remain unaltered for the time being. These comprise standard liquidity (minimum cash balance) and asset coverage covenants together with a covenant based on minimum EBITDA levels. The current covenant tests can be summarised as follows:

<i>Date of test</i>	<i>Adjusted EBITDA</i>
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

Note – see paragraph 7 below in relation to the steps being taken to revise these covenant tests.

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

It should be noted that delays in the operational restructuring of the business could also impact forecast FY19 EBITDA performance.

Any breach of the minimum adjusted EBITDA covenant would trigger a 90 day standstill period (commencing not later than the 15th day following the date of test), during which time the Group's Lender will not be able to withdraw its facilities or enforce its security, as long as the Company complies with its obligations during that period.

## **7. Proposed amendments to covenants**

As referred to above, following the completion of the Placing, the Group's Lender has agreed to work with the Company with a view to amending the longer term financial covenants contained in its facilities to bring them in line with the Company's latest financial forecasts, incorporating a reasonable view of financial sensitivity headroom. Following a number of discussions with the Group's Lender, the Directors believe that these covenants will be re-set at appropriate levels within a reasonable timeframe and, in any event, ahead of the next covenant test dates.

**Whilst the Directors believe that discussions with the Group's Lender in this regard have been positive to date, and the Group's Lender has agreed to act reasonably and in good faith to agree revised covenants post Placing, there can be no guarantees that this will be achieved with the level of headroom desired by the Directors, or achieved at all.**

## **8. Use of proceeds**

In light of the factors described above, the Directors intend to use the Placing Proceeds, together with any proceeds under the Open Offer to:

- (i) continue the implementation of the restructuring programme to improve operational efficiencies;
- (ii) support the future working capital requirements of the Group; and
- (iii) pay the costs associated with the Placing and the Open Offer.

## 9. Working capital position

The Directors believe, having taken into account the net proceeds of the Placing, that the Group will have sufficient working capital for its short term requirements. However, the Board is unable to make any confirmations about the 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, the level of turnover and the pace of progress on the Group's ongoing operational restructuring.

**As such, whilst the Directors have undertaken work to understand the potential impact which the factors referred to above may have on the business, and potential mitigating strategies which may be available in this regard, they are not in a position to confirm that the net proceeds of 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. It remains possible that the Group may require further funds to be raised during this period to secure the Company's longer term future.**

## 10. Outlook

The Directors look forward with confidence to the new financial year. On an adjusted basis, the business is expected to return to profitability by the end of the first half of FY19, with the impact of the restructuring programme expected to deliver positive financial results in the second half of FY19.

The net debt position of the Company on Admission, taking into account the net proceeds of the Placing of c.£7.5 million, is expected to be c.£25.5 million.

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 in paragraph 6 above (noting that it is currently envisaged that covenants will be reset post-Placing). These sensitivities, which underpin the Company's expected financial performance for FY19 and beyond, include:

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

## 11. Management incentive arrangements

In order to incentivise the delivery of key performance measures over the longer term, a new management incentive scheme, the Accrol Group Management Incentive Plan ("MIP") will be introduced following completion of the Placing. A summary of the main terms of the MIP is set out below.

### ***Participants in the MIP***

The initial participants will be Daniel Wright (Executive Chairman), Gareth Jenkins (CEO) and Don Coates (COO). In addition, it is expected that the new CFO (whom the Company is in the process of recruiting) will also participate in the MIP following such appointment. There are three sets of awards, each one being conditional on targets based on the Company's EBITDA performance in FY19, FY20 and FY21 (the "3 Awards" and each an "Award").

### ***Vesting targets***

The vesting criteria of each of the 3 Awards is based on adjusted EBITDA targets for FY19, FY20 and FY21 (the "EBITDA Targets") and the Company not breaching any of its banking covenants.

Each Award has its own EBITDA vesting target. In each case, there are normal EBITDA Targets (the "Normal Targets") and stretched EBITDA Targets (the "Stretched Targets") which dictate the number of shares which vest in relation to each Award, with no awards for failing to achieve the bottom of the target range and 100 per cent. being awarded for achieving the top of the target range in relation to both the Normal Targets and the Stretched Targets. These EBITDA Targets are as follows:

### **Award 1**

adjusted EBITDA FY19

Normal Target = £2 million – £6 million

Stretched Target = £6 million – £10 million

### **Award 2**

adjusted EBITDA FY20

Normal Target = £4 million – £8 million

Stretched Target = £8 million – £16 million

### **Award 3**

adjusted EBITDA FY21

Normal Target = £6 million – £10 million

Stretched Target = £10 million – £20 million

If the EBITDA Target is achieved for the relevant Financial Year, and banking covenants have not been breached, the Award will vest and become exercisable as set out below. If, however, the EBITDA Target is not met in full in FY19 or FY20, the Award will not lapse at that point. If the Normal Target or Stretched Target is met in FY20 or FY21, the earlier Awards will then vest, depending on the extent to which those targets have been met. This is designed to ensure that Participants continue to be motivated throughout the period. Following an assessment of the FY21 results, any outstanding Awards that have not vested will lapse at that point.

### **Timing of vesting and exercise**

In each case, if the relevant EBITDA Targets are met, the Awards vest following the accounts being published for the relevant financial year, with 70 per cent. exercisable at this time, and the remaining 30 per cent. becoming exercisable 1 year later.

On a takeover, depending on the price per Ordinary Share at which a takeover offer is accepted, certain of the Awards will immediately vest.

### **Size of awards and dilution**

If the Normal Targets are met in each year, the total dilutive impact of the Awards is c.9.1 per cent. (on a fully diluted basis). If the Stretched Targets are met in each year, the total dilutive impact of the Awards is c.14.2 per cent. (on a fully diluted basis).

The current management team do not participate in any other share options in the Company, and all previous awards have lapsed due to participants no longer being employees of the Company.

## **12. Details of the Placing**

### **Structure**

The Directors have given careful consideration as to the structure of the proposed Placing and the proposed Open Offer and have concluded that the Placing and the proposed Open Offer are the most suitable options available to the Company and the Shareholders at this time.

Placing Shares will be issued through the Placing at 15 pence per Placing Share to raise gross proceeds of £8.0 million.

The allotment and issue of the Placing Shares is conditional on the approval from Shareholders for the Directors to allot the Placing Shares and for statutory pre-emption rights to be disapplied in respect of such allotment. The Placing Resolutions comprise the relevant approvals required for the Placing.

### **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 £8.0 million. The Issue Price of 15 pence per Placing Share represents a discount of c.21 per cent. to the Closing Price on the Last Practicable Date (which was 19 pence).

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 Placing Resolutions at the General Meeting;
- 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; and
- Admission occurring by no later than 8.00 a.m. on 1 June 2018 (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 30 June 2018).

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.

The Placing is not conditional on the Open Offer proceeding or on any minimum level of take-up under the Open Offer.

### **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 1 June 2018 (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 30 June 2018). 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 29.25 per cent. of the Enlarged Share Capital.

## **13. Risk factors**

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

## **14. 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, amongst other things, the conditions set out above (please see 'Conditionality' in paragraph 12 of this Part I) and none of the warranties 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, amongst 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.

## 15. Intentions of the Directors in relation to the Placing

The following Directors intend to subscribe for an aggregate of 2,133,332 Placing Shares as follows:

<i>Name</i>	<i>Title</i>	<i>Number of Existing Ordinary Shares</i>	<i>Number of Placing Shares subscribed for</i>	<i>Value of Placing Shares subscribed for</i>	<i>Resulting shareholding</i>	<i>Percentage of Enlarged Share Capital</i>
Daniel Wright	Executive Chairman	415,168	1,333,333	£200,000	1,748,501	0.96%
Gareth Jenkins	Chief Executive Officer	100,000	500,000	£75,000	600,000	0.33%
Martin Leitch	Interim Chief Financial Officer	Nil	266,666	£40,000	266,666	0.15%
Joanne Lake	Non-Executive Director	35,000	33,333	£5,000	68,333	0.04%
Stephen Hammett	Non-Executive Director	40,000	Nil	–	40,000	0.02%

In addition, Don Coates, who is a PDMR, intends to subscribe for 266,666 Placing Shares at an aggregate price of £40,000.

## 16. Directors' interests

The interests (all of which are beneficial unless stated otherwise) of the Directors 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 and persons connected with them under the Accrol Group MIP) and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the Latest Practicable Date and as they are so expected to be upon Admission are as set out at paragraph 15.

## 17. Related party transactions

Daniel Wright, Gareth Jenkins, Martin Leitch and Joanne Lake (each of whom is a Director) have conditionally subscribed for an aggregate of 2,133,332 Placing Shares as set out above. NorthEdge Capital LLP and Schroder Investment Management Limited, both substantial shareholders in the Company (and therefore related parties of the Company for the purposes of the AIM Rules) have conditionally subscribed for 8,000,000 and 4,000,000 Placing Shares respectively. Therefore, the participation of each of these parties in the Placing constitutes a related party transaction under Rule 13 of the AIM Rules.

In the case of each of the Directors above who has conditionally committed to subscribe, the remaining Directors are deemed to be independent and, in the case of NorthEdge Capital LLP and Schroder Investment Management Limited, all Directors are deemed to be independent. Therefore, having consulted with the Company's nominated adviser and broker, Zeus Capital, each of the aforementioned Directors' participation, NorthEdge Capital LLP's participation and Schroder Investment Management Limited's participation in the Placing is considered, by the relevant independent Directors, to be fair and reasonable insofar as Shareholders are concerned.

## 18. General Meeting

The Directors do not currently have authority to allot all of the Placing Shares and Open Offer Shares and, accordingly, the Board is seeking approval of Shareholders to allot the Placing Shares and the Open Offer 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 31 May 2018 at Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE. 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 and the Open Offer 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 Placing 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 the authorities given to the Directors (a) by the Open Offer Resolutions, (b) at the annual general meeting of the Company which took place on 22 September 2017 and (c) in connection with the December 2017 Placing.

***Resolution 2: Disapplication of pre-emption rights in respect of the Placing***

Conditional on the passing of Resolution 1, Resolution 2 disapplies 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 the authorities given to the Directors (a) by the Open Offer Resolutions, (b) at the annual general meeting of the Company which took place on 22 September 2017 and (c) in connection with the December 2017 Placing.

***Resolution 3: Authority to allot Open Offer Shares***

Conditional on the passing of the Placing Resolutions, this ordinary resolution will grant the Directors authority to allot the Open Offer Shares for the purposes of the Open Offer. 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 the authorities given to the Directors (a) by the Placing Resolutions, (b) at the annual general meeting of the Company which took place on 22 September 2017 and (c) in connection with the December 2017 Placing.

***Resolution 4: Disapplication of pre-emption rights in respect of the Open Offer***

Conditional on the passing of the Placing Resolutions and Resolution 3, Resolution 4 disapplies statutory pre-emption rights in respect of the allotment of the Open Offer Shares to be allotted pursuant to Resolution 3 in connection with the Open Offer. 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 the authorities given to the Directors (a) by the Placing Resolutions, (b) at the annual general meeting of the Company which took place on 22 September 2017 and (c) in connection with the December 2017 Placing.

**19. Action to be taken**

Enclosed with this document is a Form of Proxy for use at the General Meeting. **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, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 29 May 2018.**

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.

**Other than voting in favour of all of the Resolutions at the General Meeting, no action is required to be taken by you in respect of the Open Offer at this time as the Company will shortly dispatch a separate circular to Shareholders (other than certain overseas Shareholders) in relation to the Open Offer. That circular will state both the terms of the Open Offer and the action to be taken by Shareholders wishing to accept it.**

**20. Importance of voting**

If Shareholder approval of both of the Placing Resolutions is not achieved, neither the Placing nor the Open Offer will 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.

## **21. Recommendations**

**The Directors consider that the Placing, the Open Offer and the passing of all 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 all of the Resolutions, as they intend to do in respect of their beneficial holdings of an aggregate of 590,168 Existing Ordinary Shares, representing approximately 0.46 per cent. of the Existing Ordinary Shares.**

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

**The Open Offer will be conditional, *inter alia*, upon the successful completion of the Placing and the passing of all of the Resolutions at the General Meeting. Shareholders should be aware that if any Resolution is not passed at the General Meeting, the Open Offer will not proceed.**

Yours faithfully

**Daniel Wright**  
*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 Group'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 Group 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 Group.**

This document contains forward looking statements that involve risks and uncertainties. The Group'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 Group 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 and 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.

#### ***Health and Safety***

There have been four reported incidents to the HSE within the last 12 months. 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. In addition, it has recently strengthened its internal management to develop further and manage the Group's current health and safety policies and procedures as a whole. 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 as, amongst other things, prices are linked to both international supply and demand dynamics, as well as underlying pulp prices. 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's financial covenants are subject to a number of sensitivities and proposed amendment***

The Company is subject to a number of financial covenants, 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 affect significantly the Group's ability to comply with the covenant levels in place. Delays in the operational restructuring of the business could also impact the Group's ability to comply with the covenant levels in place. In the event of a breach of such covenants, the Group's Lender would have the right (subject to the standstill period described in paragraph 6 of Part I of this Circular) to declare an event of default. Such an event could have a material adverse effect on the Group's financial condition and working capital position.

Following the completion of the Placing, it is hoped that certain of the covenants will be revised to bring them in line with the Group's latest financial forecasts and incorporate a reasonable view of financial sensitivity headroom. However, there can be no guarantees that the Group's Lender will agree to amend the covenants and no guarantee that if they are amended, that they will be amended to reflect what the Directors consider to be appropriate levels to bring them in line with the Group's financial forecasts.

***The working capital position of the Group is believed to be sufficient for its short term requirements. The Group may need additional capital in the longer term to grow and develop its business. However, this additional capital may not be available***

The Group is not able to provide any confirmation about its long term working capital requirements. Therefore, the Group may need to seek additional capital over and above that raised in the Placing and the Open Offer 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 the Group's Lender for its revolving credit facility to remain committed until 10 June 2021 and its ID facility is committed for a 3 month rolling period, 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 it is not successful in doing so, this may have a material adverse effect on the Group's business, financial condition and prospects and/or operating results.

***Negotiations with the incumbent third party warehouse and logistics provider at the Skelmersdale site to repatriate activities to the Blackburn and Leyland plants may not be concluded in line with Company expectations.***

The planned restructuring of the Group's activities include the repatriation of warehousing and logistics activities from Skelmersdale. This will require the amendment of an existing long term agreement with an incumbent service provider. Heads of terms have been agreed for the revision of the arrangements. In the event that negotiations for the amendment of existing arrangements are not concluded as expected, then there could be adverse financial consequences for the Group.

***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.72 per cent. of the Group's revenues in FY18. 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 established terms and conditions with approximately half of its top 10 customers, the agreements 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 inflation including products, employees and/or other fixed costs***

Any change in the costs of operating the Group could impact on the Group's profitability. Such cost increases could be incurred from the increased cost of supplies (including, amongst other things, raw materials, labour and energy costs) or increased costs incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in financial forecasts for the Group, not all cost increases are capable of being estimated accurately in advance and price increases with customers are also difficult to achieve 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 Group may be unable to agree price rises with its customers***

The Group'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 Group's customers. Additionally, in the event of future costs increases of raw materials purchased by the Group, the Directors may wish to increase prices of the Group's products. There is a risk that such further proposed price increases will not be accepted by the Group's customers which could have a material adverse effect on the Group's profits. Further, the Group may lose certain of its customers if it is not able to agree new prices and the Group takes the view that such customer contracts would therefore be unprofitable for the Group. Even if price increases are accepted by customers, there is a risk that there could 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. 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. This 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 for Parent Reels 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 anticipate effectively the quantity of Parent Reels required. This could result in the Group purchasing more Parent Reels than necessary (which may harm profitability, increase storage costs and

increase working capital funding requirements) or fewer Parent Reels than required (which could affect the Group's ability to fulfil customer orders).

***The advance rate against fundable debtors under the Group's ID Facility is subject to amendment by the Group's Lender***

The advance rate available to the Group in relation to its debtors is subject to change. Any reduction of funding available to the Group under this facility would have the effect of reducing the financial liquidity available to the Group. Accordingly, any reduction of the advance rate against the fundable debtors could have a negative impact on the Group'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 existing production or IT systems or any upgrade or replacement thereof 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 fulfil sufficiently 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 key markets which could shrink or grow at a slower rate than expected***

The Group's products are concentrated in the toilet roll, kitchen roll and facial tissue markets. Should there be adverse movement in 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 implement successfully its strategic and operational review***

As part of the Group's strategic and operational review, the Group intends to pursue and is in the course of pursuing a restructuring of the Group's operations. Such restructuring may have a destabilising effect on the Group's activities, including engagement of the Group's employees and other stakeholders, particularly in the event of more wide scale changes and a 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 Group may be unable to deliver effectively 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.

***The Group'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 Group'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. The 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 Group'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 the UK leaving the EU, 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 is not able to increase its retail prices to customers.

***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, 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 implement effectively its strategy. Service agreements do not prevent employees from terminating their employment at any time and, whilst key individuals' service 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.

**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 Company'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 Company's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. The Company's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions to the Company, including foreign exchange limitations and regulatory, fiscal and other restrictions. The Company's ability to pay dividends will also depend upon the availability of distributable reserves which, in turn, will be impacted by the carrying value of its "Investments in Subsidiaries". There can be no assurance that such restrictions will not have a material adverse effect on the Company's ability to pay dividends.

### ***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 31 May 2018 at Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE for the purposes of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolutions 2 and 4 will be proposed as special resolutions.**

#### **Resolutions regarding the Placing**

##### **ORDINARY RESOLUTION**

1. That, subject to the passing of resolution 2 below, 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 powers of the Company to allot ordinary shares in the Company up to an aggregate nominal amount of £53,333.34 on, and subject to, such terms as the directors may determine, but so that this authority is limited to the allotment of ordinary shares pursuant to the Placing (as defined in the document containing the notice convening this meeting). 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, before such expiry, make offers or agreements 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 any 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 above, the directors of the Company be and they are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the “**2006 Act**”) to allot equity securities (as defined in section 560(1) of the 2006 Act) of the Company for cash pursuant to the authority conferred by resolution 1 above as if section 561(1) 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 the date of the 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 in the Company after such expiry and the directors may allot such securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

#### **Resolutions regarding the Open Offer**

##### **ORDINARY RESOLUTION**

3. That, subject to the passing of resolutions 1 and 2 above, 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 powers of the Company to allot ordinary shares in the Company up to an aggregate nominal amount of £13,333.34 on, and subject to, such terms as the directors may determine, but so that this authority is limited to the allotment of ordinary shares pursuant to the Open Offer (as defined in a

circular to be dispatched by the Company to its members, other than certain overseas members, before this meeting and which definition that circular clearly identifies as being used in this resolution). 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, before such expiry, make offers or agreements 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 any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

#### **SPECIAL RESOLUTION**

4. That, subject to the passing of resolutions 1, 2 and 3 above, the directors of the Company be and they are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the “**2006 Act**”) to allot equity securities (as defined in section 560(1) of the 2006 Act) of the Company for cash pursuant to the authority conferred by resolution 3 above as if section 561(1) 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 the date of the 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 in the Company after such expiry and the directors may allot such securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

#### **By Order of the Board**

**Richard Almond**  
*Company Secretary*

15 May 2018

*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 as 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 CREST Regulations, the Company specifies that only those members registered on the Register of Members at close of business on 29 May 2018 (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 of Members of the Company 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, FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (please note that the address must be written in block capitals and delivery using this service can take up to 5 business days); or by 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 29 May 2018. 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 CREST Regulations.

#### **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 29 May 2018.

#### **Voting Rights**

15. As at 14 May 2018, being the latest practicable date prior to the printing of this Notice, the Company's issued capital consisted of 129,012,002 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 14 May 2018 are 129,012,002.

#### **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 14 May 2018, being the latest practicable date prior to the printing of this Notice, will be available on the Company's website at [www.accrol.co.uk](http://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.

