Accrol Group Holdings plc
Audited Final Results for the year ended 30 April 2018

CHAIRMAN'S STATEMENT

This is my first statement as Executive Chairman of Accrol Group Holdings plc ("Accrol Group", the "Company" or, together with its subsidiaries, the "Group"), a role to which I acceded in February 2018.

The Group's issues during FY18 have been well documented since the profit warning we announced in October 2017, shortly after the appointment of our new CEO, Gareth Jenkins. In summary, Accrol's financial performance was impacted significantly by an escalation in internal costs, rapidly increasing input costs and adverse foreign exchange rate movements, exacerbated by the Company's hedging policy at the time. This resulted in a loss before tax for FY18 of £24.1 million.

Results

	FY18	*Restated FY17* [3]	*Change*
Revenue	**£139.7m**	£134.2m	£5.5m
Adjusted EBITDA	**(£5.8m)**[1]	£15.2m	(£21.0m)
Adjusted (Loss)/profit before tax	**(£11.2m)**[2]	£10.1m	(£21.3m)
(Loss)/profit before tax	**(£24.1m)**	£8.6m	(£32.7m)
Net debt	**£33.8m**	£19.2m	£14.6m

Note 1: A number of post year adjustments have negatively affected Adjusted EBITDA and these include a loss of £0.24 million due to PoundWorld going into administration in June 2018 and a further loss of £0.14 million through a change in our accounting policy on goods sold below cost.
Note 2: Exceptional costs include £5.7 million of cash items incurred during the year including £3.7 million relating to FX hedging losses. The remaining £7.2 million non-cash items include £3.2m provision for exiting onerous contracts and £2.5 million impairment of fixed assets.
Note 3: Restated to correct prior period accounting errors resulting in a reduction to Adjusted EBITDA and Profit before tax of £0.8 million.

Post year end Placing and Open Offer

Post the full year end, the Company raised a further £7.5 million (net of expenses) by way of a Placing and a further £1.8 million (net of expenses) by way of Open Offer in June 2018 to:

- Continue the implementation of the restructuring programme to improve operational efficiencies and support commercial growth; and
- Support the future working capital requirements of the Group.

Progress of the turnaround plan

The Board and senior management team of Accrol has changed fundamentally in the last 12 months. I am proud to lead this new, invigorated and appropriately experienced team, which is effecting a comprehensive turnaround plan, focused on improving operational efficiency, winning new business and pricing.

The foundations of the business are solid, notably Accrol's exposure to the thriving discounter segment and, with the consumer shift away from brands, the Group's luxury private label capabilities. We are intent on returning Accrol to the core capabilities on which its previous growth and success were built - commitment to customer service, emphasis on lowest-cost production and investment in product innovation, to deliver a stronger, more resilient and profitable business.

A great deal has been accomplished: customer confidence has been restored; the operating model has been re-engineered to minimise waste and optimise efficiency; and substantial cost has been extracted. The balance sheet is being repaired, through a focus on tight working capital management, controlled investment and restored cash profitability. The Board remains mindful, however, that the operational changes, implemented in H1, must be consolidated in H2 before the business can be restored to controlled growth and appropriate levels of profitability.

The turnaround is on track, despite foreign exchange headwinds, and it is our firm belief that a successful outcome for shareholders and all the Group's stakeholders is achievable in the mid-term.

This recovery and progress would not have been possible without the support of our shareholders, who funded two substantial Placings and an Open Offer, and our bank, HSBC, who has remained supportive throughout. This funding has enabled us to accelerate the turnaround of the business and maintain the confidence of other stakeholders. As recently announced, a revised banking structure with appropriate covenant levels has now been put in place with the support of HSBC.

I also thank my colleagues throughout the organisation at Accrol for their resilience and unremitting hard work through turbulent times.

Looking ahead

As we move into H2 FY19, attention will be focused on our customers, helping them add value and ensuring all parties can grow profitably, and completing the implementation of our cost reduction turnaround plan.

Primary areas of focus over the next six months will be:

- The agreed exit of all external warehousing and implementation of new supply chain agreements;
- The completion of the product simplification process; and
- Further improvements in operational output per head driven by simplification and discipline.

Our actions to increase the number of our suppliers and to simplify tissue types is expected to impact working capital positively from the end of Q4 FY19. We have implemented a more flexible and appropriate forward buying strategy, in order to assist with our management of short-term adverse foreign exchange movements. An ongoing focus on all input costs is also expected to negate any wage inflation. Whilst we have already improved our procurement process significantly, we will continue to make adjustments and invest small amounts of capital to remove any unnecessary operational costs in the business.

Board changes

The Board of Accrol has changed significantly over the past 12 months. Gareth Jenkins joined as our new CEO in September 2017. I, having joined the Board as non-executive director in December 2017, took on the role of Executive Chairman in February 2018. More recently, we welcomed a new non-executive director, Euan Hamilton (August 2018) as well as Steve Townsley (June 2018), as our new Chief Financial Officer. In addition, Mark Dewhurst, who joined in September 2018, our new Chief Operating Officer brings significant operational expertise. These appointments have significantly enhanced the Board's and the senior management team's turnaround and financial expertise.

I am confident that we now have a Board which will support, effect and contribute to a successful turnaround strategy and our future growth ambitions. I look forward to working with all the directors to ensure the best possible outcome for shareholders.

Dividend

As previously announced, the Board will not be proposing a final dividend. It remains the Board's intention to return to the dividend list at the earliest appropriate opportunity.

Outlook

The macro environment continues to be challenging: USD strength allied with other currencies' volatility; continued high paper costs; and upward pressure on labour and other operating costs create significant headwinds. The decline of Sterling against the USD since the beginning of the year has an annualised negative impact on costs of c£5m alone. However, the business has a management team of substance, who have faced such commercial challenges before; the support of a growing customer base, which is well positioned to adapt to a market without brands; and a plan which is on track to manage costs back to industry-leading levels.

Accrol's trading performance remains sensitive to external macro-economic variables, including the Sterling/USD exchange rate and parent reel pricing, which can have a significant effect, positively or negatively, on the Company's financial performance. However, the new Board and management team is committed to building a business which is capable of riding such fluctuations to deliver appropriate levels of return to shareholders.

Despite the current headwinds faced by the business, the Group's performance in the first half of FY19 is as the Board expected and the directors believe that Accrol is on track to achieve market expectations for FY19. Net debt as at 31 August 2018 was £25m.

Dan Wright
Executive Chairman
27 September 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

The Group has reported an adjusted EBITDA loss of £5.8 million (FY17: profit £15.2 million). The significant step back from the previous years' performance resulted from an escalation in internal costs, driven by new external warehousing, shift changes and head count increases. In addition, the business experienced rapidly increasing input costs and had long-term adverse FX hedges that it was unable to pass on in the early part of the year. Despite the very challenging period, revenue increased by 4% in total, 6% in the core consumer sector and 12% in toilet tissue.

Whilst I am disappointed to be reporting a loss for FY18, I joined Accrol because I believed its core business and markets were strong. Despite all the challenges the Group has faced since October last year, this has not changed. Accrol has a strong position with all the major discounters and now the major grocery retailers in the UK to supply private label toilet roll, kitchen towel and facial tissues.

Strategy

Following a strategic review undertaken in the weeks following my appointment, it was very clear that action needed to be taken urgently to address operational inefficiencies and create a low-cost base from which the business could trade profitably. By concentrating on its traditional core strengths of low operational costs, machine efficiency and simplifying the range, the Group could return to its strong pre-IPO foundations on which to build an even stronger, more efficient business.

I am pleased to report that the turnaround plan is advancing well. However, it will take time to complete the final improvements, which we have already begun, to ensure the business is positioned to fully capitalise on the opportunities arising from the consumers shift away from major, well-known tissue brands as these continue to decline.

As a business, we are dedicated to operational efficiency and innovation that delivers significant market leading value for consumers. We aim to be the leading supplier of tissue-based products by being able to adapt to the acceleration in the discounter channel and the changing consumer buying demands.

Market overview

The decline of branded toilet roll sales through the major multiples and discount market continues. Over the last 12 months, the leading branded player has reported declines in sales of 6% year on year (The Grocer, March 2018). Discount and own branded products, however, have enjoyed a continuing increase in sales of 8.5% in Toilet Tissue. Own label sales now make up 48.4% of the toilet roll/tissue market, compared to 47% in March 2017 (Source: Kantar). I am pleased to report that our own sales in toilet tissue in the same period outperformed the market, growing by 12%, giving me considerable confidence for the successful future of the business.

People

Good businesses start with the right people. It was clear that improvement was required across a number of levels of the organisation. The new management team we have put in place is of high calibre. The Group's Head of Manufacturing was replaced in November last year, when we appointed an FMCG operations expert with over 30-years' experience, most recently as UK Operations Director for Sonoco. Factory Managers at two of the Group's sites were also replaced in the first quarter of FY19, bringing in industry expertise from our major competitors.

Our most recent senior management appointment is Mark Dewhurst who joins from DS Smith where his final role was North Europe Operations Director. I am absolutely delighted that he has chosen to join Accrol. His decision endorses my own view that Accrol has an exciting future. I am certain that his knowledge of the industry and experience in transformational change and sustainable business improvement will benefit the Group significantly and, our shareholders.

Whilst amalgamating the right team takes time, we have already strengthened significantly across all departments and levels of the business and will continue to look for the best talent internally and externally as we grow. Everyone in the organisation is beginning to understand the role they play in making Accrol a better business. We are focused on employing dedicated, skilled and motivated people, who have clear and simple targets and actions to deliver to make the business better every day.

Customers

At the core of our business is the broad range of customers we serve. Everything we do is focused on their requirements. The way consumers shop is changing at a rapid pace. Our broad customer base gives us market insight across all consumer purchasing channels and our flexibility enables us to take advantage of this changing buying platform. Accrol is also the only UK tissue converter to offer a plastic free option.

This approach has enabled us to secure significant new business wins, a key part of the Group's turnaround strategy, and to improve pricing arrangements. Since February 2018, in line with our budget expectations, we have secured revenue as follows:

- Volume on an extended contract with a major retailer worth £10 million pa
- A new two-year agreement with a major discounter worth an additional £10 million pa
- Volume growth and contract extension with a major discounter worth an additional £5 million pa
- A two-year agreement with a major retailer for toilet roll business initially worth £12 million pa
- Essential price increases with our customers

The business now has in place a number of longer-term supply agreements with appropriate commercial terms.

Suppliers

We will continue the simplification process across the total supply chain, taking a ruthless approach to non-essential costs and producing the best possible products of the highest quality - the basics done well at value.

A supplier review continues with a further six tissue suppliers being added to the portfolio from Asia, South America, the Middle East and Europe. The Accrol business model enables the organisation to continue to source the latest developments in tissue technology. This ensures the best available materials are used to meet the changing dynamics with retailers and consumers.

Operations

For the business to thrive and prosper it has to be a low cost, operationally efficient one and supply products to markets that deliver the right levels of return. To this end, we have made significant operational changes to the business:

- The closure of the Group's low margin Away From Home operations in August 2018;
- In September 2018, the lease on Skelmersdale was transferred for the entirety of the current 8.5 years still outstanding to a third party group. Accrol will relocate all product to newly installed racking and warehousing facilities at its three locations in Blackburn and Leyland. This is expected to deliver savings in excess of £5 million per year. The costs for delivering this change are in line with our budget expectations;
- Head count has been reduced by c.43% since July 2017, despite an increase in sales volume;
- The number of SKUs, families of products and tissue types have now been substantially reduced by c.74%, c.60% and c.73% respectively;
- The implementation of an "end to end" Oracle based system is underway. This is expected to replace the existing finance system by Q4 of FY19. In addition, as part of the migration of finished goods stock back to the sites, a materials management system will give full visibility of raw materials and finished goods in real time to help support the businesses drive to reduce stock throughout the supply chain; and
- Adopting the latest paper types to help the Group remain competitive and lead innovation in the industry to benefit the consumer.

These changes are an important part of the Board's turnaround plan and demonstrate the significant improvements which have been made to date.

Health and safety

Accrol takes the Health and Safety of its employees very seriously. Since October 2017 the business has employed an independent former HSE lead inspector to advise the new H&S teams that are in place covering all sites. In the last seven months to the end of July, we have seen an 8% reduction in our overall accident rates and a 4% reduction in near miss reporting compared to the previous seven-month period.

The business continues to work proactively with the HSE following the previous investigation and they remain supportive throughout the positive changes the business is making with regard to health and safety of its employees.

Outlook

The turnaround plan has started well. Whilst we have made considerable progress in the first five months of FY19, there is still a great deal to do. As a team, we have absolute clarity that, as we deliver the turnaround, we also strengthen Accrol's fundamental business proposition, delivering growth through exceptional quality, service and innovations.

We have ambitious plans to continue to grow profitably, which will be the result of delivering great value, quality products to the consumer. The business is in a strong position due to the breadth of retailers we supply and the changing dynamic of buying habits away from the previously dominant, big brands. The differentiated position with customers, built on our investment and innovation-led expertise, and the changing market dynamics reinforces our confidence in the long-term prospects for the Group.

We still have a challenging six months ahead of us to complete all the major turnaround actions and ensure these are embedded into the organisation. Whilst the business has advanced considerably since the year end, the issues we have had to tackle have been significant. The work we have undertaken will provide strong foundations on which to return the Group to profitability. This,

combined with the strength of our markets and the quality our products, gives the Board real confidence in the successful future of the Group.

Gareth Jenkins
Chief Executive Officer
27 September 2018

GROUP FINANCIAL REVIEW

Results overview

	FY18	***Restated [3] FY17***	***Change***
Revenue	**£139.7m**	£134.2m	£5.5m
Gross profit	**£24.5m**	£37.1m	(£12.6m)
Adjusted EBITDA	**(£5.8m)** [1]	£15.2 m	(£21.0m)
Finance costs	**£0.7m**	£1.1m	(£0.4m)
Adjusted (loss)/profit before tax	**(11.2m)** [2]	£10.1m	(£21.3m)
(Loss)/profit before tax	**(£24.1m)**	£8.6m	(£32.7m)
Exceptional items	**(£12.9m)**	(£1.6m)	(£11.3m)
Free cash flow	**(£24.5m)**	£7.4m	(£31.9m)
Net debt	**£33.8m**	£19.2m	£14.6m
Net debt/adjusted EBITDA	**(5.80x)**	1.26x	
(Loss)/earnings per share - basic	**(£0.19)**	£0.08	(£0.26)

Note 1: A number of post year adjustments have negatively affected Adjusted EBITDA and these include a loss of £0.24 million due to PoundWorld going into administration in June 2018 and a further loss of £0.14 million through a change in our accounting policy on goods sold below cost.
Note 2: Exceptional costs include £5.7 million of cash items incurred during the year including £3.7 million relating to FX hedging losses. The remaining £7.2 million non-cash items include £3.2m provision for exiting onerous contracts and £2.5 million impairment of fixed assets.
Note 3: Restated to correct prior period accounting errors resulting in a reduction to Adjusted EBITDA and Profit before tax of £0.8 million.

Basis of preparation of FY18 accounts

The Group's accounts have been prepared on a going concern basis. The auditor's report includes a material uncertainty relating to going concern due to the particular sensitivity of the forecast to the sterling/USD rate, parent reel pricing and the delivery of the final elements of the operational and commercial turnaround, specifically:

- Delivery of operational savings generated by a reduction of sites and employees;
- Impact on raw materials costs of changes in paper type and product specification;
- Maintenance of newly agreed parent reel prices; and
- Successful management of any foreign exchange downside through price increases or further cost reductions.

Further details are presented in Note 2 to the accounts.

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

Sales increased but cost escalation and foreign exchange challenges hit profit and cash

Sales of Private Label products into Discounters and Multiples drove year on year growth of 4.2% in revenues. However, profit before tax profit declined £32.7 million to a loss of £24.1 million. Net debt increased by 76% to £33.8 million.

Key performance indicators

	2018 £'000	*Restated 2017 £'000*	*Change*
Revenue	**139,738**	134,163	4.2%
Gross margin	**17.5%**	27.7%	
Adjusted EBITDA[1]	**(5,824)**	15,227	(138%)
Finance costs	**713**	1,129	(37%)
(Loss)/profit before tax	**(24,069)**	8,565	(381%)
(Loss)/profit after tax	**(19,963)**	6,708	(398%)
Free cash flow[3]	**(24,502)**	7,384	(432%)
Net debt	**33,773**	19,210	76%
Net debt/adjusted EBITDA	**(5.80x)**	1.26x	
(Loss)/earnings per share – basic	**(£0.19)**	£0.08	

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.
Note 2: Free cash flow, which is net cash flow from operating activities is a GAAP measure used by management.

Two adjustments have been made to Adjusted EBITDA post year end, comprising -£0.24 million due to PoundWorld going into administration in June 2018 and a further -£0.14 million through a change in our accounting policy on goods sold below cost. As a result, the Group's Adjusted EBITDA has moved from a loss in line with market expectations of £5.4 million to a loss of £5.8 million.

Percentage of revenues

Retailer type	**2018**	**2017**
Multiple	**8%**	8%
Other	**16%**	18%
Discounter	**76%**	74%

Income statement

	2018 ***£'000***	*Restated* *2017* *£'000*
Revenue	**139,738**	134,163
Cost of sales	**(115,232)**	(97,016)
Gross profit	**24,506**	37,147
Administration expenses	**(33,177)**	(16,000)
Distribution costs	**(14,685)**	(11,453)
Operating (loss)/profit	**(23,356)**	9,694
Analysed as:		
Adjusted EBITDA[1]	**(5,824)**	15,227
Depreciation	**(2,612)**	(1,910)
Amortisation	**(2,041)**	(2,042)
Exceptional items	**(12,879)**	(1,581)
Operating (loss)/profit	**(23,356)**	9,694
Finance costs	**(713)**	(1,129)
(Loss)/Profit before tax	**(24,069)**	8,565
Tax credit/(charge)	**4,106**	(1,857)
(Loss)/profit for the year attributable to equity shareholders	**(19,963)**	6,708
Gross margin %	***17.5%***	*27.7%*

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.

Revenues

Group revenue increased by 4.2% to £139.7 million (FY17: £134.2 million) with growth in sales not only coming from the Discounters but, also, the multiples. This revenue growth was achieved despite a £5 million reduction in Away From Home revenue, as the Group exited a high revenue/low margin contract. In terms of products, revenue from toilet tissue showed the highest year on year growth of 12% or £8 million. As a proportion of revenue, toilet tissue increased from 51% in FY17 to 55% in the year under review.

Gross margin

Gross margin was 17.5% (FY17: 27.7%). It includes the impact of the underlying softening of sterling against dollar (2018 1.31 vs 2017 1.39), which contributed 4.1% to the 10.2% decrease in adjusted gross margin.

Other contributors to the decrease in gross margin include:

- Paper cost inflation;
- Added complexities of running three sites - two production and one warehousing; and
- Drag on operational efficiency of establishing the new Leyland site.

Administration costs

Administrative costs increased by £17.2 million to £33.2 million (FY17: £16.0 million). This increase includes charges of £2.5 million for the impairment of fixed assets, £4.4 million of FX hedging losses and £6.0 million of other exceptional costs (up from £1.6 million in 2017). Other exceptional costs include restructuring costs of £1.1 million and £4.0 million relating to the exit from the Skelmersdale distribution site.

In addition, the Company bore the full year costs of Skelmersdale adding £6.2 million to the cost base year on year. The productive capacity of Leyland is continuing to improve, helped by the addition of a new line in September 2018. We believe this site, with its improved capacity and operational efficiencies, will prove an important asset for Accrol. Skelmersdale site will be exited in October 2018, as planned.

Distribution costs

Distribution costs as a percentage of revenue increased by 2.0% to 10.5% (FY17: 8.5%). The introduction of the Skelmersdale facility in May 2017, however, added a 'shunting' cost of £1.3 million with finished goods being moved from Leyland and Blackburn to the Skelmersdale site for storage, prior to onward shipping to customers. This cost will be removed from the business with the planned closure of Skelmersdale in October 2018. There was also an increase in the cost of handling the shipping of parent reel stock.

Operating cost summary

Key Cost	2017	2018	Plan for FY19
Skelmersdale facility	Nil	Full year	Removed from H2
Shunting to Skelmersdale	Nil	Full year	Reduced H1, removed H2
Skelmersdale Operation	Nil	Full Year	Removed from H2
Leyland start up	4 months	Full year	Add a 3rd Line 3 in H1
Away From Home complexity	Full Year	Full year	Removed from Q2

Finance costs

Finance costs decreased in the year by £0.4 million to £0.7 million (FY17: £1.1 million). This represented the cessation of any payments on shareholder loan notes. The ongoing costs were flat year on year.

Taxation

The significant level of losses incurred in the year allowed the Company to reclaim tax paid on prior year profits. Subsequent to year end, the Company successfully recovered £2.0 million.

Balance sheet

Property, plant and equipment
There were no substantive investments in plant and machinery in the year. The two new lines in Leyland were brought onstream and a more detailed review of asset value was undertaken, leading to an impairment charge of £2.5 million, including those assets relating to the Away From Home business from which we are exiting. At the end of the year a third line at Leyland was ordered and deposit of £0.8 million paid, subsequently covered by an equipment finance lease in FY19.

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

Working capital

	Actual		
	2018	2017	Change
	£m	£m	£m
Inventories	**14.1**	15.0	(0.9)
Trade and other receivables	**30.0**	23.8	6.2
Trade and other payables	**(13.9)**	(19.1)	5.2
	30.2	19.7	10.5

Both raw material stocks and finished goods stock remained in line with last year. However, a £0.7 million provision was made for slow moving and obsolete stock, as the Group focuses on a simplified range of paper types and products. This provision includes the carriage cost for goods that will be sold below cost. There remains opportunity for the Company to tighten the supply chain and reduce stockholding further.

The increase in receivables reflects customer mix and timing. Our customers remain good payers. However, post year end PoundWorld went into administration; a provision of £0.2 million has been made to reflect the associated uncollectable debt.

The trade payables figure decreased by £5.2m on the prior year, mainly due to the change in the Company's credit rating. The suspension of trading in the Company's shares on 5 October 2017 caused the credit insurance sector to step back from Accrol and terms were cut; to proforma in many cases. We are actively managing this position and expect it to improve in line with Company's trading performance.

Borrowings and cash flow

	Actual		
	2018	2017	Change
	£m	£m	£m
Bank loan facility	**15.0**	13.0	2.0
Finance leases	**0.5**	0.6	(0.1)
Factoring facility	**18.7**	9.5	9.2
Borrowings	**34.2**	23.1	11.1
Cash and cash equivalents	**(0.4)**	(3.9)	3.5
Net debt	**33.8**	19.2	14.6

As part of the share placing in October 2017, the Group's Revolving Credit Facility of £16 million and the Invoice discount facility of £23 million were both maintained. Post year end, new covenants have been agreed and the facilities continue. The first pay down of the RCF, totalling £1 million, is planned

for 31 October 2018, which will include a contribution from the funds raised from the Group's exit of Away From Home.

There was a £24.5 million cash outflow from operations in the year (FY17: cash inflow of £7.4 million) due largely to the Group's operating losses. A Placing in December 2017 raised funds of £18 million through the issue of 36m shares at 50p raising £16.8 million (net of expenses). The outflow was further funded through increased usage of the invoice discounting facility (up 97% at £9.2 million). Net debt increased by £14.6 million, up 76% on FY17. The Board remains committed to generating cash from operations and reducing net debt. A Placing of 66.2 million shares in June 2018, post year end, raised a further £9.2 million (net of expenses).

Steve Townsley
Chief Financial Officer
27 September 2018

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2018

Continuing operations	Note	**2018** **£'000**	Restated 2017 £'000
Revenue	4	**139,738**	134,163
Cost of sales		**(115,232)**	(97,016)
Gross profit		**24,506**	37,147
Administration expenses		**(33,177)**	(16,000)
Distribution costs		**(14,685)**	(11,453)
Operating (loss)/profit		**(23,356)**	9,694
Analysed as:			
- Adjusted EBITDA[1]		**(5,824)**	15,227
- Depreciation		**(2,612)**	(1,910)
- Amortisation of intangible assets	9	**(2,041)**	(2,042)
- Exceptional items	5	**(12,879)**	(1,581)
Operating (loss)/profit		**(23,356)**	9,694
Finance costs	7	**(713)**	(1,129)
(Loss)/profit before tax		**(24,069)**	8,565
Tax credit/(charge)	8	**4,106**	(1,857)
(Loss)/profit for the year attributable to equity shareholders		**(19,963)**	6,708

(Loss)/earnings per share			
		£	**£**
Basic (loss)/earnings per share	6	(0.19)	0.08
Diluted (loss)/earnings per share	6	(0.19)	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2018

	2018 **£'000**	**Restated** **2017** **£'000**
(Loss)/profit for the year attributable to equity shareholders	**(19,963)**	6,708
Other comprehensive income/(expense) for the year		
Revaluation of derivative financial instruments[2]	**2,868**	(2,868)
Tax relating to components of other comprehensive income	**(545)**	545
Total comprehensive (loss)/income attributable to equity shareholders	**(17,640)**	**4,385**

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

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.
Note 2: Items that could potentially be reclassified subsequently to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2018

	Note	**2018**	Restated 2017
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment		**24,723**	26,914
Intangible assets	9	**27,701**	29,742
Deferred tax assets	8	**-**	545
Total non-current assets		**52,424**	57,201
Current assets			
Inventories		**14,057**	14,981
Trade and other receivables		**29,987**	23,780
Current tax asset		**2,198**	-
Cash and cash equivalents		**431**	3,867
Derivative financial instruments		**-**	841
Total current assets		**46,673**	43,469
Total assets		**99,097**	100,670
Current liabilities			
Borrowings	11	**(21,670)**	(9,709)
Trade and other payables		**(13,858)**	(19,105)
Income taxes payable		**-**	(814)
Provisions		**(492)**	-
Derivative financial instruments		**(668)**	(3,235)
Total current liabilities		**(36,688)**	(32,863)
Non-current liabilities			
Borrowings	11	**(11,759)**	(13,146)
Deferred tax liabilities	8	**(2,352)**	(4,276)
Provisions	10	**(2,672)**	-
Derivative financial instruments		**-**	(474)
Total non-current liabilities		**(16,783)**	(17,896)
Total liabilities		**(53,471)**	(50,759)
Net assets		**45,626**	49,911
Capital and reserves			
Share capital	12	**129**	93
Share premium		**58,832**	41,597
Hedging reserve		**-**	(2,323)
Capital redemption reserve		**27**	27
Retained earnings		**(13,362)**	10,517
Total equity shareholders' funds		**45,626**	49,911

The financial statements were approved by the Board of Directors on 27 September 2018.

Signed on behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer
Company Registration Number 09019496

Steven Townsley
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 April 2018

	Note	Share capital	Share Premium	Hedging reserve	Capital redemption reserve	Retained earnings / (accumulated losses) Restated	Total equity Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 May 2016		**13**	**84**	**–**	**–**	**5,005**	**5,102**
Comprehensive income/(expense)							
Profit for the year - restated		-	-	-	-	6,708	6,708
Revaluation of derivative financial instruments		-	-	(2,868)	-	-	(2,868)
Tax relating to components of other comprehensive income		-	-	545	-	-	545
Total comprehensive income		-	-	(2,323)	-	6,708	4,385
Transactions with owners recognised directly in equity							
Bonus issue of shares		64	(64)	-	-	-	-
Proceeds from shares issued		43	43,285	-	-	-	43,328
Buy back of deferred shares for consideration of £1		(27)	-	-	27	-	-
Issue of share warrants - restated		-	-	-	-	302	302
Transaction costs		-	(1,708)	-	-	166	(1,542)
Dividends		-	-	-	-	(1,860)	(1,860)
Share based payments		-	-	-	-	196	196
Total transactions recognised directly in equity		80	41,513	-	27	(1,196)	40,424
Balance at 30 April 2017 and at 1 May 2017		**93**	**41,597**	**(2,323)**	**27**	**10,517**	**49,911**
Comprehensive (expense)/income							
Loss for the year		-	-	-	-	(19,963)	(19,963)
Revaluation of derivative financial instruments		-	-	2,868	-	-	2,868
Tax relating to components of other comprehensive income		-	-	(545)	-	-	(545)
Total comprehensive income		-	-	2,323	-	(19,963)	(17,640)
Transactions with owners recognised directly in equity							
Proceeds from shares issued	12	36	17,964	-	-	-	18,000
Transaction costs		-	(729)	-	-	-	(729)
Dividends		-	-	-	-	(3,720)	(3,720)
Share based payments		-	-	-	-	(196)	(196)
Total transactions recognised directly in equity		36	17,235	-	-	(3,916)	13,355
Balance at 30 April 2018		**129**	**58,832**	**-**	**27**	**(13,362)**	**45,626**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 April 2018

	Note	2018 £'000	2017 Restated £'000
Cash flows from operating activities			
Operating (loss)/profit		**(23,356)**	9,694
Adjustment for:			
Depreciation of property, plant and equipment		**2,612**	1,910
Impairment of property, plant and equipment		**2,502**	-
Profit on disposal of property, plant and equipment		**-**	(26)
Amortisation of intangible assets	9	**2,041**	2,042
Grant income		**(118)**	(212)
Exceptional items		**4,214**	1,016
Impairment of trade receivables		**380**	-
Impairment of trade receivables - exceptional		**350**	-
Share based payments		**(196)**	196
Issue of share warrants		**-**	302
Operating cash flows before movements in working capital		**(11,571)**	14,922
Decrease/(increase) in inventories		**924**	(5,620)
Increase in trade and other receivables		**(6,937)**	(2,334)
(Decrease)/increase in trade and other payables		**(5,511)**	6,696
Cash (used in)/generated from operations		**(23,095)**	13,664
Tax paid		**(830)**	(2,149)
Interest paid		**(577)**	(4,131)
Net cash flows from operating activities		**(24,502)**	7,384
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,923)**	(4,417)
Proceeds from sale of property, plant and equipment		**-**	56
Net cash flows used in investing activities		**(2,923)**	(4,361)
Cash flows from financing activities			
Proceeds of issue of ordinary shares		**18,000**	43,328
Cost of raising finance		**(729)**	(1,971)
Increase in amounts due to factors		**9,154**	2,038
New finance leases		**200**	-
Repayment of capital element of finance leases		**(227)**	(10,737)
Repayment of bank loans		**-**	(3,900)
Receipt of new bank loans		**2,000**	12,730
Transaction costs of bank facility		**(689)**	
Repayment of shareholder loans / loan notes		**-**	(41,240)
Dividend paid to ordinary shareholders		**(3,720)**	(1,860)
Net cash flows used in/(from) financing activities		**23,989**	(1,612)
Net (decrease)/increase in cash and cash equivalents		**(3,436)**	1,411
Cash and cash equivalents at beginning of the year		**3,867**	2,456
Cash and cash equivalents at year end		**431**	3,867

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

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

The Company's subsidiaries are Accrol Holdings Limited, Accrol UK Limited and Accrol Papers Limited, which together with the Company form the Accrol Group Holdings plc Group (the "Group").

2. Summary of significant accounting policies

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

Basis of preparation

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

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

The prior year comparatives have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further details can be found in note 14.

Standards, amendments and interpretations to existing standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 April 2018 reporting period and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of application when the relevant standards come into effect.

- Amendments to IFRS 2 'Share based payments' Classification and Measurement' (effective 1 January 2018)
- Amendments to IFRS 4 'Insurance contracts' Amendments regarding implementation of IFRS 9 (effective 1 January 2018)
- Amendments to IAS 28 'Investments in associates and joint ventures' regarding short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2018)
- Amendments to IAS 40 'Investment property' transfer of property (effective 1 January 2018)
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018)
- Annual Improvements 2014-2016 (effective 1 January 2018)
- Amendments to IFRS 1 'First-time adoption of IFRS' regarding short term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 (effective 1 January 2019)
- Amendments to IAS 19 'Employee benefits' Plan amendment, curtailment or settlement (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax' (effective 1 January 2019)
- Annual Improvements 2015-2017 (effective 1 January 2019)

The Group has begun an assessment of the impact of the following new standards:

IFRS 9 'Financial Instruments' (effective 1 January 2018)
This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

It is the intention that hedging relationships that qualified for hedge accounting in accordance with IAS 39 are to be regarded by the Group as continuing hedging relationships under IFRS 9.

IFRS 9 introduces an expected loss model for recognising impairment of financial assets held at amortised cost, whereas under IAS 39 impairment was only recognised when objective evidence of such impairment existed. This change of approach will require the Group to consider forward looking information to calculate expected credit losses and is anticipated to have a small but immaterial change to the level of impairment recognised.

IFRS 9 also includes the requirement for lenders of intercompany loans to consider forward looking information to calculate expected credit losses. This change will apply to the Company financial statements only. Despite there being no present intention of the Company to demand repayments, were demand to be made at the reporting date, it is deemed that the relevant subsidiaries would be unable to repay the intercompany loan in full within 12 months, therefore an impairment and adjustment to opening retained earnings may be required.

IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)
This standard establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In particular it requires the entity to identify distinct performance obligations within a contract with a customer and attribute values accordingly.

The Group will shortly conclude on the impact of the performance obligation criteria and the determination of the transaction price on the timing and value of revenue, but given that there is little complexity within the sales process (revenue recognised when goods are delivered) the Group does not expect to be materially affected by the new standard.

IFRS 16 'Leases' (effective 1 January 2019)
IFRS 16 introduces a single lessee accounting model, removing the distinction between operating and finance leases. This will result in almost all leases being recognised on the Statement of Financial Position, as an asset (to recognise the right to use a leased item) and a financial liability (requirement to make lease payments).
The Group will assess the requirements of IFRS 16 against its existing operating leases including any exemptions it may make by the end of the next financial year in order to report on the potential impact.

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

Going Concern

The Chairman's review and the Chief Executive's review outline the business activities of the Group along with the factors which may affect its future development and performance. The financial review discusses the Group's financial position, along with details of cash flow and liquidity. Further details of the borrowing facilities are set out in note 11.

The Group has recently agreed revised bank covenant tests for the revolving credit facility that underpins its borrowings. In assessing the Group's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts against these covenants. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of a breach of the covenants, whilst identifying what mitigating actions are available to the Group to avoid a potential breach.

The Group's performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. In addition, the significant activity in restructuring and re-positioning the operational and commercial side of the business increase the uncertainty in future forecasts. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months including:

- Delivery of operational savings generated by a reduction of sites and employees;
- Impact on raw materials costs of changes in paper type and product specification;
- Maintenance of newly agreed parent reel prices; and
- Successful management of any foreign exchange downside through price increases or further cost reductions.

Failure to achieve the above would slow down the return to profitability and result in lower adjusted EBITDA with a consequent negative impact on EBITDA covenant headroom. Without the support of the bank, the Group would be unable to meet its liabilities as they fall due. Given the timing and execution risks associated with achieving the forecast the directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast doubt upon the Group's ability to continue as a going concern in the basis of preparation to the financial statements.

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

3. Significant accounting judgements, estimates and assumptions

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

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

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

Critical accounting judgements in applying the entity's accounting policies

Exceptional items

During the course of the year the Group incurred expenditure that is not linked directly to the normal trading of the business. This is particularly the case when undergoing significant structural change as his been the case in recent years. In order to better explain the underlying performance of the business, management makes a judgement as to which costs should be included in exceptionals and disclosed separately.

Critical accounting estimates in applying the entity's accounting policies

Goodwill and intangible asset impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its sole CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. The Group's trading performance remains sensitive to a number of key variables, including the sterling/US$ exchange rate and parent reel pricing, which could have a significant effect (positive or negative) on the Group's cashflows.

More information including carrying values is included in note 9.

4. Revenue

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

	2018	Restated 2017
	£'000	£'000
United Kingdom	**133,132**	131,294
Europe	**6,606**	2,869
Total	**139,738**	134,163

5. Exceptional items

	2018	2017
	£'000	£'000
Setting up and subsequent exit from Skelmersdale site	**3,961**	-
Reorganisation and restructure	**1,109**	-
Impairment of property, plant and equipment	**2,502**	-
Loss on derivative financial instruments	**4,377**	-
Professional fees relating to the AIM flotation	**-**	208
Early settlement charges on finance leases	**-**	454
Acquisition deal fees	**-**	352
Consultancy fees	**-**	567
Other	**930**	-
	12,879	1,581

Exceptional items for the current and prior year are included within administration expenses.

The exceptional items are described below:

Year ended 30 April 2018

Setting up and subsequent exit from Skelmersdale site
Skelmersdale set up costs of £315,000 include duplicated costs relating to redundant space, additional deliveries and staffing.

Charges of £3,646,000 relate to the decision to exit from the Skelmersdale facility and logistics agreements. This primarily comprises onerous contract provisions of £3,164,000 and trade receivables of £350,000 that were impaired as part of the settlement.

Reorganisation and restructure
Costs associated with the exit of the previous management team, the recruitment of a new management team against an unfavourable background and the dual running of roles to drive rapid change.
Impairment of property, plant and equipment

The charge of £2,502,000 comprises £2,056,000 to create the space to absorb Skelmersdale stockholding and £446,000 relating to the lines supporting Away from Home market. Assets have been impaired to their net realisable value.

Loss on derivative financial instruments
The charge comprises the early settlement costs of unrequired foreign exchange forward contracts, plus charges relating to forward contracts that when crystallised were not used to purchase raw materials.

Other
Other costs primarily comprise the HSE fine and associated defence costs (£212,000), the decision to release value in working capital despite the short-term cost (£254,000) and costs relating to the exit from the Away from Home market (£190,000).

6. (Loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the (loss)/profit after tax by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options. The following reflects the income and share data used in the earnings per share calculations:

	2018	Restated 2017
	£'000	£'000
(Loss)/profit for the year attributable to shareholders	**(19,963)**	6,708
	Number	Number
Basic weighted average number of shares [1]	**106,820,221**	88,145,846
Dilutive share options	**-**	1,321,025
Diluted weighted average number of shares	**106,820,221**	89,466,871
	£	£
Basic (loss)/earnings per share	**(0.19)**	0.08
Diluted (loss)/earnings per share	**(0.19)**	0.07

Note 1: In the year ended 30 April 2017, the basic weighted average number of shares was calculated by excluding the D class of shares as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

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

The earnings per share figures for 2017 have been corrected following discussions with the FRC. The figure for basic and diluted earnings per share of £0.09, presented in last year's accounts, should have been £0.08. The impact of the prior year restatements reduces the diluted earnings per share figure to £0.07. Furthermore, it should be noted that the corrected number for 2016 is £0.11 not £576.26 as stated in the accounts to 2017. The difference arises due to a restatement to correctly reflect the effect on earnings per share of the bonus issue, subdivision and reorganisation of shares which occurred on 1 June 2016 in preparation for the company's IPO.

Subsequent to the reporting date, as disclosed in note 12, further ordinary shares were issued which will impact upon the basic and diluted earnings per share calculations for the year ended 30 April 2019.

7. Finance costs

	2018	2017
	£'000	£'000
Finance costs on pre-IPO debt structure		
Shareholder loans	**-**	478
	-	478
Finance costs on post-IPO debt structure		
Bank loans and overdrafts	**277**	368
Finance lease interest	**23**	80
Interest on factoring facility	**277**	160
Amortisation of finance fees	**136**	43
	713	651
Total finance costs	**713**	1,129

8. Income tax expense

Tax credited/(charged) in the income statement

	2018	Restated 2017
	£'000	£'000
Current income tax		
Current tax on profits for the year	**-**	(2,059)
Adjustment in respect of prior periods	**2,182**	-
Total current income tax credit/(charge)	**2,182**	(2,059)
Deferred tax		
Origination and reversal of temporary differences	**2,434**	223
Adjustment in respect of prior periods	**(436)**	-
Change in tax rate	**(74)**	(21)
Total deferred tax credit	**1,924**	202
Tax credit/(charge) in the income statement	**4,106**	(1,857)

The tax credit for the year is lower (2017: charge is higher) than the effective rate of Corporation Tax in the UK of 19% (2017: 19.92%). The differences are explained below:

	2018	Restated 2017
	£'000	£'000
(Loss)/profit before income tax	**(24,069)**	8,565
Effective rate	**19%**	19.92%
At the effective income tax rate	**4,573**	(1,706)
Expenses not deductible for tax purposes	**(118)**	(130)
Adjustment in respect of prior periods	**(436)**	-
Change in rate	**87**	(21)
Total tax credit/(charge)	**4,106**	(1,857)

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

	Accelerated capital allowances £'000	Intangible assets £'000	Derivative financial instruments £'000	Losses £'000	Other £'000	Total £'000
30 April 2016	**(1,527)**	**(3,016)**	**-**	**-**	**65**	**(4,478)**
Credit/(charge) in year - restated	(168)	375	-	-	(5)	202
Credit to equity	-	-	545	-	-	545
30 April 2017 - restated	**(1,695)**	**(2,641)**	**545**	**-**	**60**	**(3,731)**
Credit/(charge) in year	552	404	127	901	(60)	1,924
Charge to equity	-	-	(545)	-	-	(545)
30 April 2018	**(1,143)**	**(2,237)**	**127**	**901**	**-**	**(2,352)**

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

	2018 £'000	Restated 2017 £'000
Deferred tax assets	**1,028**	545
Deferred tax liabilities	**(3,380)**	(4,276)
	(2,352)	(3,731)

The deferred tax asset in the prior year was recognised on the loss on cash flow hedges. The credit has been taken to the hedging reserve.

A deferred tax asset of £901,000 relating to current year losses has been recognised in the year, on the basis that, following a review of forecasts, management expect that these will be recovered against future taxable profits.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £261,000 (2017: £58,000).

The Finance Act 2016 reduced the main rate of corporation tax to 19% from 1 April 2017. A future rate reduction to 17% from 1 April 2020, was substantively enacted on 15 September 2016. Therefore, the rate of 19% (2017: 20%) has been reflected in the consolidated financial statements and deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. Deferred tax has been provided at the rate of 17% as at 30 April 2018 (2017: 18%).

9. Intangible assets

Cost	Goodwill £'000	Customer relationships £'000	Order book £'000	Other £'000	Total £'000
At 30 April 2016	14,982	20,427	86	–	35,495
Additions	–	–	–	40	40
At 30 April 2017	14,982	20,427	86	40	35,535
Additions	-	-	-	-	-
At 30 April 2018	**14,982**	**20,427**	**86**	**40**	**35,535**
Amortisation					
At 30 April 2016	–	3,665	86	–	3,751
Charge for the year	–	2,042	–	–	2,042
At 30 April 2017	–	5,707	86	–	5,793
Charge for the year	-	2,041	-	-	2,041
At 30 April 2018	**-**	**7,748**	**86**	**-**	**7,834**
Net book value					
At 30 April 2018	**14,982**	**12,679**	**-**	**40**	**27,701**
At 30 April 2017	**14,982**	**14,720**	**-**	**40**	**29,742**

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

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

Impairment test for goodwill

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

The key assumptions used in the value in use calculations are a pre-tax discount rate of 9.5% (2017: 13%) and a long term growth rate of 2% (2017: 2%). The discount rate is derived from the Group's weighted average cost of capital and is calculated with reference to latest market assumptions for the risk free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information.

Goodwill is tested for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. In the years under review management's value in use calculations have indicated no requirement to impair.

Sensitivity to changes in assumptions

The Group's trading performance remains sensitive to a number of key variables, including the sterling/US$ exchange rate, parent reel pricing and the speed of business change, which could have a significant effect (positive or negative) on the Group's profitability. Of these, the greatest sensitivity is to the sterling/US$ exchange rate, which currently has a very broad forecast range due to the uncertainties surrounding Brexit. The exchange rate used in management's forecasts assume a weighted average forecast rate. Should sterling weaken significantly, profit recovery would need to be built on price increases.

The estimates of the recoverable amounts associated with these CGU affords significant head room over the carrying value, however should price increases not be possible, the Group may need to recognise an impairment loss. Without price increases, a 1 cent worsening of the sterling/US$ exchange rate has a c£0.5m impact on EBITDA.

10. Provisions

	As at 1 May 2017	Created in the year	As at 30 April 2018	Current	Non current
	£'000	£'000	£'000	£'000	£'000
Onerous Contracts	-	3,164	3,164	492	2,672
	-	**3,164**	**3,164**	**492**	**2,672**

The onerous contract provisions relate to the decision to exit from the Skelmersdale facility and logistics agreements (see note 5).

The non-current portion of the onerous contract provision is expected to be utilised in the following periods: years 1-2 (£609,000), years 2-5 (£1,598,000) and years 5-9 (£467,000).

11. Borrowings

	2018	2017
	£'000	£'000
Current		
Revolving Credit facility	**2,770**	-
Factoring facility	**18,677**	9,523
Finance leases	**223**	186
	21,670	9,709
Non-current		
Revolving Credit facility	**11,455**	12,778
Finance leases	**304**	368
	11,759	13,146

Finance costs incurred to arrange the revolving credit facility have been capitalised and are being amortised through interest payable. Unamortised finance costs at 30 April 2018 are £775,000 (2017: £222,000).

Finance costs are not included in the loan maturity table below

	2018	2017
Loan maturity analysis	**£'000**	£'000
Within one year	**21,900**	9,709
Between one and two years	**2,216**	185
Between two and five years	**10,088**	13,183
After five years	**-**	-
	34,204	23,077

The following amounts remain undrawn and available	**2018**	2017
	£'000	£'000
Revolving credit facility	**1,000**	3,000
Factoring facility	**2,852**	13,043
	3,852	16,043

The Group's bank borrowings are secured by way of fixed and floating charge over the Group's assets. As at 30 April 2018 this comprised property, plant and equipment of £24,723,000, inventories of £14,057,000 and trade receivables of £27,845,000.

HSBC Revolving Credit Facility agreement ("Bank facility")
At 30 April 2018 the Group had drawn £15 million against a Revolving Credit Facility ("RCF"). The original £18 million facility, dated 2 June 2016, was for a period of five years. The facility was amended and restated on 7 December 2017 and further amended on 19 January 2018, principally affecting financial covenant tests. On 25 September 2018, revised covenants and amendments to the scheduled repayments were agreed. The revised facility is now as follows:

- 30 April 2018: £16 million
- 31 October 2018: £15 million
- 30 April 2019: £13 million
- 30 April 2020: £11 million

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

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

HSBC £23 million factoring credit facility ("Factoring facility")
The Group has a £23 million multi-currency revolving credit facility to provide factoring financing for general working capital requirements. Under the terms of this facility the drawdown is based upon gross debtors less a retention (typically 20%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

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

12. Share capital and reserves

	2018	2017
Called up, allotted and fully paid	**£'000**	£'000
Ordinary shares of £0.001 each	**129**	93
	129	93

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

	2018	2017
	Number	Number
Ordinary shares of £0.001 each	**129,012,002**	93,012,002

On 11 December 2017, 36,000,000 £0.001 ordinary shares were issued at a price of 50 pence per share.

Subsequent to the reporting date, on 1 June 2018, 53,333,334 £0.001 ordinary shares were issued and on 8 June 2018 a further 12,901,200 ordinary shares of £0.001 were issued.

On 2 June 2016 warrants were issued to Zeus Capital Limited entitling the holder to subscribe for 2,790,361 shares at a price of £1 per share any time up to the 10th anniversary of the Company admission to the AIM market.

13. Events after the balance sheet date

On 1 June 2018 the Group raised £7.5m (net of expenses) by way of a Placing and a further £1.8m (net of expenses) on 8 June 2018 by way of Open Offer.

In September 2018 revised bank covenants on the existing facilities were agreed with HSBC, to provide greater financial stability for the Group.

14. Prior year restatement

It has been identified that certain of the Group's accounting policies and processes were not correctly applied at the close of the year ended 30 April 2017. Due to the materiality of the errors a restatement of the consolidated income statement, the consolidated cash flow statement and consolidated statement of changes in equity for the year ended 30 April 2017, and the consolidated statement of financial position as at 30 April 2017 is required.

In aggregate, the effect of the prior period restatements is to reduce net assets at 30 April 2017 by £366,000 and to reduce profit after tax for the period ended 30 April 2017 by £668,000. There is no impact of the restatements on net assets as at 30 April 2016.

The nature and effect of individual adjustments are described below.

Revenue recognition
Sales to the value of £890,000 should not have been booked in the year to 30 April 2017 as the products remained at the Group's premises at the reporting date and therefore title did not pass to the relevant customers. Associated costs of £623,000 were charged, resulting in an overstatement of gross profit of £267,000.

Carriage costs
A review of a supplier statement reconciliation as at 30 April 2017 identified that certain liabilities in relation to carriage costs had not been recognised. As a result cost of sales was understated (and therefore gross profit overstated) by £265,000.

Share warrants
As part of the Initial Public Offering, on 2 June 2016 share warrants were issued to Zeus Capital for their services provided to the Company in their capacity as nominated advisor. The costs associated with the issue of the warrants were not accounted for in the prior year. An exercise has been performed to assess the fair value of the warrants issued, and this has had the impact of increasing administration expenses, and therefore reducing operating profit, by £302,000.

Summary
A summary of the combined impact of the prior year adjustments on the consolidated income statement and consolidated statement of cash flows for the year ended 30 April 2017 and on the consolidated statement of financial position as at 30 April 2017 are as follows:

Consolidated income statement for the year ended 30 April 2017

	30 April 2017 As published	Revenue recognition	Carriage costs	Share warrants	30 April 2017 Restated
	£'000	£'000	£'000	£'000	£'000
Revenue	135,053	(890)	-	-	134,163
Gross profit	37,679	(267)	(265)	-	37,147
Operating profit	10,528	(267)	(265)	(302)	9,694
Profit before tax	9,399	(267)	(265)	(302)	8,565
Tax	(2,023)	53	53	60	(1,857)
Profit after tax	7,376	(214)	(212)	(242)	6,708
Adjusted EBITDA	16,061	(267)	(265)	(302)	15,227

Consolidated statement of financial position as at 30 April 2017

	30 April 2017 As published £'000	Revenue recognition £'000	Carriage costs £'000	Share warrants £'000	30 April 2017 Restated £'000
Inventories	14,358	623			14,981
Trade and other receivables	24,670	(890)	-	-	23,780
Deferred tax liabilities	(4,336)			60	(4,276)
Trade and other payables	(18,840)	-	(265)	-	(19,105)
Income tax payable	(920)	53	53	-	(814)
Net Assets	50,277	(214)	(212)	60	49,911

Consolidated statement of cash flows for the year ended 30 April 2017

	30 April 2017 As published £'000	Revenue recognition £'000	Carriage costs £'000	Share warrants £'000	30 April 2017 Restated £'000
Operating cash flows before movements in working capital	15,454	(267)	(265)	-	14,922
Increase in inventories	(4,997)	(623)	-	-	(5,620)
Increase in trade and other receivables	(3,224)	890	-	-	(2,334)
Increase in trade and other payables	6,431	-	265	-	6,696

The impact on diluted EPS for the year ended 30 April 2017 was a reduction of £0.01 to £0.07. There was no change in the reported basic earnings per share for the year ended 30 April 2017.

EPS calculation

The earnings per share figures for 2017 have been corrected following an enquiry from the FRC (see note 6).

15. Alternative performance measures

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

Adjusted earnings per share

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

	2018	Restated 2017
	£'000	£'000
(Loss)/earnings attributable to shareholders	**(19,963)**	6,708
Adjustment for:		
Amortisation	**2,041**	2,042
Exceptional items	**12,879**	1,581
Tax effect of adjustments above	**(2,835)**	(524)
Adjusted (loss)/earnings attributable to shareholders	**(7,878)**	9,807
	Number	Number
Basic weighted average number of shares[1]	**106,820,221**	88,145,846
Dilutive share options	**-**	1,321,025
Diluted weighted average number of shares	**106,820,221**	89,466,871
	£	£
Basic adjusted earnings per share	**(0.07)**	0.11
Diluted adjusted earnings per share	**(0.07)**	0.11

Note 1: In the year ended 30 April 2018 and 2017, the basic weighted average number of shares was calculated by excluding the D class of shares, as this class is subject to a dividend cap that does not materially impact upon the profit due to the remaining Ordinary equity shareholders.

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

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

Consolidated income statement

	2018	2017
	£'000	£'000
		Restated
Adjusted EBITDA		
Operating profit	**(23,356)**	9,694
Adjusted for:		
Depreciation	**2,612**	1,910
Amortisation	**2,041**	2,042
Exceptional items	**12,879**	1,581
Adjusted EBITDA	**(5,824)**	15,227