Accrol Papers Limited

Annual report and financial statements

for the year ended 30 April 2018

Registered Number: 03639930

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Annual report and financial statements
for the year ended 30 April 2018
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Strategic Report for the year ended 30 April 2018

The Directors present their Strategic Report on the Company for the year ended 30 April 2018.

Principal activities

The principal activity of the Company during the year was that of soft tissue paper convertors, supplying private label toilet roll, kitchen towel and facial tissues to major discounters and major grocery retailers.

Review of the business, results for the year and future developments

The Company has reported an adjusted EBITDA loss for the year of £5.8m (2017: profit of £15.5m). This significant step back from the prior year performance resulted from an escalation in internal costs, driven by new external warehousing, shift changes and headcount increases. In addition, the business experienced rapidly increasing input costs and had long-term adverse foreign exchange hedges that it was unable to pass on in the early part of the year. Despite the very challenging period, revenue increased by 4% to £139.7m.

The strategic review undertaken in the year highlighted urgent action that needed to be taken to address operational inefficiencies and to 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 Company can return to its strong foundations on which to build a stronger, more efficient business.

The turnaround plan is advancing well but will take time to complete the final improvements to ensure the business is positioned to fully capitalise on the opportunities arising from the consumers shift away from major, well-known tissue brands.

Looking forward, whilst the Group has been transformed operationally in 2018, it remains susceptible to potentially significant adverse impacts of increases in tissue prices and foreign exchange movements between Sterling and USD. This has impacted on projected profitability for the year end 30 April 2019 as described in the Trading Update of 8 January 2019, although despite these headwinds, the reduction in the expected Adjusted EBITDA outcome for the Group is within existing banking covenants and the Group's bank remains fully supportive.

As at 30 April 2018, the Company had net assets of £13.6m (2017: £28.7m).

Exceptional items

Exceptional costs in the year totalled £12.4m, including £4m in respect of set up and exit costs from the Skelmersdale site, an impairment charge relating to property, plant and equipment of £2.5m and £4.4m in respect of losses on derivative contracts. See note 6 for further details.

Key performance indicators ("KPIs")

The Directors of Accrol Group Holdings plc manage the group's operations on a group basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Accrol Papers Limited. The development, performance and position of Accrol Group Holdings plc, which includes the Company, are discussed on page 21 of the Group's Annual Report, which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group (which comprises Accrol Group Holdings plc, Accrol UK Limited, Accrol Holdings Limited and Accrol Papers Limited) and are not managed separately. Accordingly, the principal risks and uncertainties of Accrol Group Holdings plc, which include those of the Company, are discussed on pages 24-25 of the Group's Annual Report which does not form part of this report.

The impact of Brexit on the Company and the international markets in which it operates will remain an inherent uncertainty until the impact of negotiations are understood.

Accrol Papers Limited
Strategic report for the year ended 30 April 2018 continued

Going concern
In addition to the above risks, the Directors consider that there is a principal risk in relation to the going concern of the Company which is discussed further in the Directors' Report.

On behalf of the board

Gareth Jenkins
Director
26 Feb 2019

Accrol Papers Limited
Directors' report for the year ended 30 April 2018

The Directors present their Directors' report and the audited financial statements of the Company for the year ended 30 April 2018.

Directors
The Directors who held office during the year and up to the date of this report were as follows:
Peter Cheung (resigned 3 February 2018)
Stephen Crossley (resigned 11 September 2017)
James Flude (resigned 4 February 2018)
Gareth Jenkins (appointed 11 September 2017)
Angus Leitch (appointed 4 February 2018 and resigned 11 June 2018)
Steven Townsley (appointed 11 June 2018 and resigned 22 January 2019)
Mark Dewhurst (appointed 22 January 2019)

Directors' indemnities
The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its Directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Future developments
An indication of the likely future developments of the business is included in the Strategic Report on page 1.

Risk management
Principal risks and uncertainties are described on pages 24-25 of the Annual Report of Accrol Group Holdings plc which does not form part of this report. Information about the Company's financial risk management is disclosed in note 19.

Going concern
The going concern status of the Company is dependent upon the success of the Accrol Group Holdings plc group ('The Group') and the achievement of certain key assumptions. In September 2018, the Group agreed revised bank covenant tests for its 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 financial covenants relating to the revolving credit facility, 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 significant doubt upon the Company'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 Company's financial statements.

Accrol Papers Limited
Directors' report for the year ended 30 April 2018 (continued)

Charitable and political donations
Charitable donations of £17,681 (2017: £24,390) were made during the year. There were no political donations during the financial year (2017: £nil).

Dividends
An interim dividend of £nil (2017: £10,000,000) was paid during the year. The Directors do not recommend the payment of a final dividend.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation
The Company maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

Prior year restatement
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 27.

Statement of disclosure of information to auditors
In the case of each of the persons who are Directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

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

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment was passed at the Annual General Meeting on 30 October 2018.

On behalf of the board

Gareth Jenkins
Director
26 Feb 2019

Accrol Papers Limited
Statement of Directors' Responsibilities

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

Independent auditors' report to the members of Accrol Papers Limited

Report on the audit of the financial statements

Opinion

In our opinion, Accrol Papers Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 April 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The going concern status of the company is intrinsically linked to the success of the Accrol Group Holdings plc group ("the Group"), and whilst the Group is forecast to be in compliance with all covenant conditions in respect of its financing facility, the forecast includes key assumptions in respect of (1) delivery of operational savings; (2) raw material costs; (3) maintenance of newly agreed parent reel prices; and (4) successful management of any foreign exchange downside. Failure to achieve these would result in lower EBITDA with a consequent negative impact on EBITDA covenant headroom and without the support of the bank, the Group could be unable to meet its liabilities as they fall due. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Independent auditors' report to the members of Accrol Papers Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 Feb 2019

Accrol Papers Limited
Income Statement for the year ended 30 April 2018

	Note	2018 £'000	Restated* 2017 £'000
Revenue	4	**139,738**	134,163
Cost of sales		**(115,232)**	(96,766)
Gross profit		**24,506**	37,397
Administrative expenses		**(30,597)**	(13,377)
Distribution costs		**(14,685)**	(11,453)
Operating (loss)/profit	5	**(20,776)**	12,567
Analysed as:			
- Adjusted EBITDA [(1)]		**(5,840)**	15,550
- Depreciation	11	**(2,555)**	(1,892)
- Exceptional items	6	**(12,381)**	(1,091)
Operating (loss)/profit	5	**(20,776)**	12,567
Finance costs	9	**(318)**	(241)
(Loss)/profit before taxation		**(21,094)**	12,326
Taxation	10	**3,702**	(2,227)
(Loss)/profit for the financial year		**(17,392)**	10,099

All of the results of the Company relate entirely to continuing activities.

(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.

** See note 27 for an explanation and analysis of the prior year adjustments in respect of the year ended 30 April 2017.*

Accrol Papers Limited
Statement of Comprehensive Income for the year ended 30 April 2018

	2018	Restated* 2017
	£'000	£'000
(Loss)/profit for the year	**(17,392)**	10,099
Other comprehensive income/(expense) for the year		
Revaluation of derivative financial instruments [(1)]	2,868	(2,868)
Tax relating to components of other comprehensive (expense)/income	(545)	545
Total comprehensive (loss)/income for the year	**(15,069)**	7,776

[(1)] Items that could potentially be reclassified subsequently to the income statement.

** See note 27 for an explanation and analysis of the prior year adjustments in respect of the year ended 30 April 2017.*

Accrol Papers Limited
Statement of Financial Position as at 30 April 2018

	Note	2018 £'000	Restated (note 27) 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**24,623**	26,796
Deferred tax assets	20	-	545
Total non-current assets		**24,623**	27,341
Current assets			
Inventories	12	**14,057**	14,981
Trade and other receivables	13	**29,864**	23,696
Current tax assets		**2,198**	-
Derivative financial instruments	18	-	841
Cash and cash equivalents	14	**134**	3,554
Total current assets		**46,253**	43,072
Total assets		**70,876**	70,413
Current liabilities			
Borrowings	17	**(18,900)**	(9,709)
Trade and other payables	15	**(34,131)**	(25,541)
Income taxes payable		-	(691)
Derivative financial instruments	18	**(668)**	(3,235)
Provisions	16	**(492)**	-
Total current liabilities		**(54,191)**	(39,176)
Non-current liabilities			
Borrowings	17	**(304)**	(368)
Derivative financial instruments	18	-	(474)
Provisions	16	**(2,672)**	-
Deferred tax liabilities	20	**(115)**	(1,732)
Total non-current liabilities		**(3,091)**	(2,574)
Total liabilities		**(57,282)**	(41,750)
Net assets		**13,594**	28,663
Capital and reserves			
Share capital	21	**10**	10
Hedging reserve		-	(2,323)
Retained earnings		**13,584**	30,976
Total shareholders' funds		**13,594**	28,663

The financial statements were approved by the Board of Directors on 26 Feb 2019 on its behalf by:

Gareth Jenkins
Director
Accrol Papers Limited: Registered No 03639930

Accrol Papers Limited

Statement of changes in equity for the year ended 30 April 2018

	Note	Called up share capital	Hedging reserve	Restated (note 27) Retained earnings	Restated (note 27) Total shareholders' funds
		£'000	£'000	£'000	£'000
Balance at 1st May 2016		10	-	30,877	**30,887**
Comprehensive income/(expense)					
Profit for the financial year		–	-	10,099	**10,099**
Revaluation of derivative financial instruments		-	(2,868)	-	**(2,868)**
Tax relating to components of other comprehensive income		-	545	-	**545**
Total comprehensive income for the year		–	(2,323)	10,099	7,776
Transactions with owners recognised directly in equity					
Dividends	22	-	-	(10,000)	**(10,000)**
Total transactions recognised directly in equity		-	-	(10,000)	**(10,000)**
Balance at 30 April 2017		**10**	**(2,323)**	**30,976**	**28,663**
Comprehensive income/(expense)					
Loss for the financial year		-	-	(17,392)	**(17,392)**
Revaluation of derivative financial instruments		-	2,868	-	**2,868**
Tax relating to components of other comprehensive expense		-	(545)	-	**(545)**
Total comprehensive loss for the year		-	**2,323**	**(17,392)**	**(15,069)**
Balance at 30 April 2018		**10**	**-**	**13,584**	**13,594**

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2018

1 General information

Accrol Papers Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom in England. The company number is 03639930. The registered address of the Company is the Delta Building, Roman Road, Blackburn, United Kingdom, BB1 2LD.

2 Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101) and the Companies Act 2006 as applicable to companies using FRS 101.

The 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 the income statement. Accounting policies have been applied consistently. The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
    - Paragraph 73 (e) of IAS 16 Property, plant and equipment
    - The following paragraphs of IAS 1 'Presentation of financial statements':
    - 10 (d) (statement of cash flows)
    - 10 (f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements,
    - 6 (statement of compliance with all IFRS)
    - 38A (requirement for minimum of two primary statements, including cash flow statements)
    - 38 B-D (additional comparative information)
    - 40A-D (requirements for a third statement of financial position)
    - 111 (cash flow statement information), and
- IAS 7, 'statement of cash flows'
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation)
- The requirement of IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (impact of standards not yet effective)

2 Accounting policies (continued)

Going concern

The going concern status of the Company is dependent upon the success of the Accrol Group Holdings plc group ('The Group') and the achievement of certain key assumptions. 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 significant doubt upon the Company'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 Company's financial statements.

Revenue

Revenue representing sales to external customers, which is stated excluding Value Added Tax and trade discounts, is measured at the fair value of the consideration receivable for goods supplied.

Revenue from the sale of goods is recognised at the point of transfer of risks and rewards of ownership.

Revenue is presented net of trade spend, including customer rebates, which consists primarily of customer pricing allowances, listing fees and promotional allowances (overriders) which are governed by agreements with our trade customers. Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

Cost of sales

Cost of sales comprise costs arising in connection with the conversion of paper products. Cost is based on the cost of a purchase on a first in first out basis and includes all direct costs and an appropriate portion of fixed and variable overheads where they are directly attributable to bringing the inventories into their present location and condition.

2 Accounting policies (continued)

Exceptional items

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

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

EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Company. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Depreciation is the write down of fixed assets and amortisation of the write down of intangibles. Exceptional items, including gains / (losses) on derivative financial instruments are excluded from EBITDA to calculate Adjusted EBITDA.

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

Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

Property, plant and equipment

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

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

• Land and Buildings	straight line over term of lease
• Plant and Machinery	10% straight line, 40% residual value
• Motor vehicles	30% straight line
• Fixtures, fittings and office equipment	25% reducing balance

Assets under construction are not depreciated, but transferred into the appropriate asset class when they are ready for use. The estimated useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairment charges to reduce assets to their recoverable amount are recognised in the income statement.

2 Accounting policies (continued)

Financial instruments

Financial Assets

The Company classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the income statement.

Financial liabilities

The Company initially recognises its financial liabilities at fair value net of transaction costs where applicable and subsequently they are measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest rate method over the maturity of the loan.

Derivative financial instruments

The Company's activities expose it to financial risks associated with movements in foreign exchange rates. The Company uses forward foreign exchange rate contracts to hedge its foreign exchange rate exposure. These derivatives, classified as cash flow hedges, are initially recognised at fair value and then remeasured at fair value at the end of each reporting date. Hedging instruments are documented at inception and effectiveness is tested throughout their duration. Changes in the fair value of cash flow hedges are recognised in other comprehensive income and any ineffective portion is immediately recognised in the income statement.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis and includes all direct costs and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Trade and other receivables

Trade and other receivables relate mainly to the sale of paper products to trade customers.

Cash and cash equivalents (excluding bank overdraft)

Cash and cash equivalents in the balance sheet comprise cash at bank, short-term deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, excluding any bank overdrafts which are disclosed separately within borrowings within current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 Accounting policies (continued)

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Income tax relating to items recognised in comprehensive income or directly in equity is recognised in comprehensive income or equity and not in the income statement.

Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Government grants

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

Leases

Finance leases

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

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

Operating leases

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

2 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3 Significant accounting judgements, estimates and assumptions

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

Accounting estimates made by the Company's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

Exceptional items

During the course of the year the Company 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 has 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 in exceptional items and disclosed separately.

Customer rebates

The Company provides for amounts payable to customers in relation to rebates and promotional activity. Whilst the Directors do not consider the Company's rebates to be highly complex as they are predominantly volume related, there is judgement required in calculating amounts due, as terms vary by customer.

4 Revenue

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

		Restated (note 27)
	2018	2017
	£'000	£'000
United Kingdom	**133,132**	131,294
Europe	**6,606**	2,869
Total	**139,738**	134,163

In 2018 there were four major customers that individually accounted for c.10% and above of total revenues (2017: four customers). The revenues relating to these customers in 2018 were £28,606,000, £22,200,000, £13,885,000 and £13,706,000 (2017: £31,597,000, £14,532,000, £13,981,000 and £12,602,000).

Notes to the financial statements for the year ended 30 April 2018

5 Operating (loss)/profit

	2018	2017
	£'000	£'000
Operating (loss)/profit is stated after (crediting)/charging:		
Employee benefit expense	**14,302**	11,661
Depreciation of property, plant and equipment	**2,555**	1,892
Impairment of property, plant and equipment	**2,502**	-
Operating lease rentals	**3,808**	1,957
Net foreign exchange losses	**4,377**	27
Grant income	**(118)**	(212)

Auditors' remuneration

	2018	2017
	£'000	£'000
Fees payable for the audit	**62**	50
Non audit – tax compliance services	**12**	11
Non audit – tax advisory services	**-**	9
	74	70

6 Exceptional items

	2018	2017
	£'000	£'000
Setting up and subsequent exit from Skelmersdale site	**3,961**	-
Reorganisation and restructure	**731**	-
Impairment of property, plant and equipment	**2,502**	-
Loss on derivative financial instruments	**4,377**	-
Consultancy	**-**	517
Early settlement charges on finance leases	**-**	454
Health and Safety Executive fine	**-**	120
Other	**810**	-
	12,381	1,091

6 Exceptional items (continued)

Exceptional items for the current and prior year are included within administration expenses and 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 relating to certain machines in the manufacturing facility that are expected to be sold to create the space to absorb Skelmersdale stockholding and £446,000 relating to lines supporting the 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 include 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).

7 Directors' emoluments

	2018	2017
	£'000	£'000
Emoluments	**919**	546
Compensation for loss of office	**260**	-
	1,179	546

Retirement benefits are accruing to no Directors (2017: nil) under a defined contribution benefit scheme. The aggregate amount of emoluments paid to the highest paid Director was £423,000 (2017: £240,000).

8 Employee information

The average monthly number of persons (including Directors) employed by the Company during the year was:

By activity	2018 Number	2017 Number
Production	463	462
Administration	47	46
	510	508

Staff costs (for the above persons)	£'000	£'000
Wages and salaries	12,930	10,748
Social security costs	1,204	801
Other pension costs	168	112
	14,302	11,661

9 Finance costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	277	160
Finance leases and hire purchase contracts	23	81
Other	18	-
	318	241

Notes to the financial statements for the year ended 30 April 2018

10 Taxation

	2018 £'000	Restated (note 27) 2017 £'000
Current income tax:		
Current tax on profits for the year	-	(2,066)
Adjustments in respect of prior periods	**2,085**	-
Total current tax credit/(charge)	**2,085**	(2,066)
Deferred tax:		
Origination and reversal of timing differences	**2,073**	(186)
Adjustment in respect of prior periods	**(382)**	-
Effects of rate change	**(74)**	25
Total deferred tax credit/(charge)	**1,617**	(161)
Total tax credit/(charge)	**3,702**	(2,227)

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 £'000	2017 £'000
(Loss)/profit before taxation	**(21,094)**	12,326
Tax credit/(charge) using UK corporation tax rate of 19% (2017: 19.92%)	**4,008**	(2,455)
Effects of:		
Expenses not deductible for tax purposes	**(11)**	(54)
Group relief	-	257
Adjustment in respect of prior periods	**(382)**	-
Change in rate	**87**	25
Total tax credit/(charge) for year	**3,702**	(2,227)

Factors affecting taxation for the current year
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 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%).

11 Property, plant and equipment

	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Fixtures, Fittings and Office Equipment £'000	Assets Under Construction £'000	Total £'000
Cost						
At 1 May 2017	156	24,073	71	1,049	6,525	31,874
Additions	-	1,651	-	254	979	2,884
Reclassification	289	6,236	-	-	(6,525)	-
Disposals	-	(213)	-	-	-	(213)
At 30 April 2018	**445**	**31,747**	**71**	**1,303**	**979**	**34,545**
Accumulated depreciation						
At 1 May 2017	59	4,623	51	345	-	5,078
Charge for the year	37	2,203	16	299	-	2,555
Impairment	-	2,502	-	-	-	2,502
Disposals	-	(213)	-	-	-	(213)
At 30 April 2018	**96**	**9,115**	**67**	**644**	-	**9,922**
Net book value						
At 30 April 2018	**349**	**22,632**	**4**	**659**	**979**	**24,623**
At 30 April 2017	97	19,450	20	704	6,525	26,796

The net book value of tangible fixed assets includes an amount of £317,000 (2017: £538,000) in respect of plant and machinery assets held under finance leases and £nil (2017: £nil) in respect of assets under construction held under finance leases.

Details of the impairment loss of £2,502,000 is disclosed in note 6.

Depreciation is charged to the income statement within administrative expenses.

Notes to the financial statements for the year ended 30 April 2018

12 Inventories

	2018	Restated (note 27) 2017
	£'000	£'000
Raw materials and consumables	**8,690**	9,090
Finished goods and goods for resale	**5,367**	5,891
	14,057	14,981

Inventories recognised as an expense during the year and included in cost of sales amounted to £86,629,000 (2017: £75,947,000).

Inventories are stated after provision for impairment of £658,000 (2017: £nil).

13 Trade and other receivables

	2018	Restated (note 27) 2017
	£'000	£'000
Trade receivables	**28,660**	22,690
Less: provision for impairment of trade receivables	**(815)**	-
	27,845	22,690
Prepayments and accrued income	**2,019**	1,006
	29,864	23,696

Amounts owed by group undertakings are unsecured and are repayable on demand.

14 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and cash equivalents	**134**	3,554

15 Trade and other payables

	2018 £'000	Restated (note 27) 2017 £'000
Trade payables	**8,859**	15,156
Amounts owed to group undertakings	**20,343**	6,369
Social security and other taxes	**788**	1,557
Accruals and deferred income	**3,445**	1,645
Deferred government grant income	**696**	814
	34,131	25,541

Trade payables are non-interest bearing and are payable on average within 21 days at 30 April 2018 (2017: 30 days).

Deferred government grant income relates to grants received for purchase of plant and machinery. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

16 Provisions

	As at 1 May 2017 £'000	Created in the year £'000	As at 30 April 2018 £'000	Current £'000	Non-current £'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. 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 (£1,596,000) and years 5-9 (£467,000)

Notes to the financial statements for the year ended 30 April 2018

17 Borrowings

	2018 £'000	2017 £'000
Current		
Factoring facility	**18,677**	9,523
Finance leases	**223**	186
	18,900	9,709
Non-current		
Finance leases	**304**	368
	304	368

	2018 £'000	2017 £'000
Loan maturity analysis:		
Within one year	**18,900**	9,709
Between one and two years	**216**	185
Between two and five years	**88**	183
After five years	**-**	-
	19,204	10,077

The following amounts remain undrawn and available.

	2018 £'000	2017 £'000
Factoring facility	**2,852**	13,043
	2,852	13,043

HSBC £23million factoring facility

The Company has a £23million multi-currency revolving credit facility to provide factoring finance 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 the date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

Covenants

The Company is subject to financial covenants in relation to the Factoring facility. The covenants 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.

18 Financial instruments

Derivative financial instruments

Derivative financial instruments represent the Company's forward foreign exchange contracts. The liabilities representing the valuations of the forward foreign exchange contracts at the year end are:

Foreign currency contracts	**2018** **£'000**	2017 £'000
Current assets	-	841
Current liabilities	(668)	(3,235)
Non-current liabilities	-	(474)
	(668)	**(2,868)**

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The foreign currency swaps are designated as fair value through profit or loss at initial recognition. The fair value of the Company's foreign currency derivatives is calculated as the difference between the contract rates and the mark to market rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each period end is categorised as a Level 2 valuation, see below. The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

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

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

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

18 Financial instruments (continued)

Fair values

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

	Fair values and carrying values	
		Restated (note 27)
	2018	2017
Financial assets	**£'000**	£'000
Current		
Trade and other receivables	**29,864**	23,696
Cash and short-term deposits	**134**	3,554
Derivative financial instruments	**-**	841
Financial liabilities		
Current		
Borrowings	**18,900**	9,709
Trade and other payables	**34,131**	25,541
Derivative financial instruments	**668**	3,235
Non-Current		
Borrowings	**304**	368
Derivative financial instruments	**-**	474

19 Capital and financial risk management objectives and policies

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

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

	2018	2017
	£'000	£'000
Total borrowings	**19,204**	10,077
Less: cash and cash equivalents	**(134)**	(3,554)
Net debt	**19,070**	6,523

(b) Financial risk management
The Company has exposure to the following risks from its use of financial instruments:

- Foreign currency risk
- Liquidity risk
- Credit risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and procedures for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(i) Foreign currency risk

The Company has transactional currency exposures arising from purchases in currencies other than the Company's functional currency. These exposures are forecast on a monthly basis and are monitored by the Finance Department. Under the Company's foreign currency policy, such exposures are hedged on a reducing percentage basis over a number of forecast time horizons using forward foreign currency contracts.

The Company's largest exposures are the US Dollar and Euro forward contracts. The derivative analysis below had been prepared by re-performing the calculations used to determine the balance sheet values assuming a 1% strengthening of Sterling:

	2018	2017
	£'000	£'000
Euro – loss	**-**	(79)
USD – loss	**(97)**	(844)
	(97)	(923)

19 Capital and financial risk management objectives and policies (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities and by maintaining adequate cash reserves.

The table below summaries the maturity profile of the Company's financial liabilities:

As at 30 April 2018

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Borrowings	**18,900**	**216**	**88**	**-**	**19,204**
Trade and other payables	**34,131**	**-**	**-**	**-**	**34,131**
Derivative financial instruments	**668**	**-**	**-**	**-**	**668**
Total financial liabilities	**53,699**	**216**	**88**	**-**	**54,003**

As at 30 April 2017 (restated - note 27)

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due in more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Borrowings	9,709	185	183	-	10,077
Trade and other payables	25,541	-	-	-	25,541
Derivative financial instruments	3,235	474	-	-	3,709
Total financial liabilities	38,485	659	183	-	39,327

19 Capital and financial risk management objectives and policies (continued)

(iii) Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments. The Company's credit risk is low. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The trade receivables balance is aged as follows:

	2018	Restated (note 27) 2017
	£'000	£'000
Less than one month	**13,528**	13,148
Between one and two months	**10,057**	8,267
Between two and three months	**2,834**	988
Between three and six months	**1,641**	287
Over 6 months	**600**	-
	28,660	22,690

The Company manages credit risk by allocating customers a credit limit and ensures that the Company's exposure is within this limit. This approach is strengthened with the use of credit insurance where deemed appropriate. The Company does not hold any collateral as security.

The Company's major customers are established retailers and therefore management do not deem there to be significant associated credit risk.

Trade and other receivables which are less than three months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than three months past due are considered for recoverability, and where appropriate, an impairment provision is recognised.

Included in the Company's trade receivables balance are debtors which are past due at the reporting date for which the Company has not impaired as there has not been a significant change in the credit quality and the amounts are considered recoverable.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

19 Capital and financial risk management objectives and policies (continued)

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

	2018	2017
	£'000	£'000
At the beginning of the year	-	(85)
Impairment losses recognised	(465)	-
Impairment losses recognised - exceptional	(350)	
Provisions utilised	-	85
	(815)	-

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

20 Deferred taxation

	Deferred taxation assets £'000	Deferred taxation liabilities £'000
As at 1 May 2017	545	(1,732)
Charged to equity	(545)	-
Credited to income statement	-	1,617
At 30 April 2018	-	(115)

	Derivative Financial Instruments £'000	Accelerated capital allowances £'000	Losses £'000	Other £'000	Total £'000
As at 1 May 2017	545	(1,695)	-	(37)	(1,187)
Credited to the Income Statement	127	552	901	37	1,617
Charged to equity	(545)	-	-	-	(545)
At 30 April 2018	127	(1,143)	901	-	(115)

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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2018

21 Share capital

	2018	2017
	£'000	£'000
Called up, allotted and fully paid		
10,000 Ordinary shares of £1 each (2017: 10,000)	**10**	10

22 Dividends

The Company did not pay an interim dividend (2017: £1,000 per share, totalling £10,000,000).

The Directors do not propose a final dividend (2017: £nil).

The total dividend for the year was therefore £nil (2017: £10,000,000).

23 Commitments and contingencies

Operating lease commitments

The Company has operating leases in place on a number of business premises. These leases have durations of between 10 and 15 years. There are no restrictions placed upon the Company by entering into these leases. The lease expenditure charged to the income statement during the year is disclosed in note 5.
Future minimum rentals payable under non-cancellable operating leases as at the year end, analysed by the period in which they fall due, are as follows:

	2018	2017
	£'000	£'000
Within one year	**3,508**	2,821
Between one and five years	**14,002**	14,493
Greater than five years	**8,031**	11,531
	25,541	28,845

In October 2018, the Group exited the Skelmersdale facility and has sublet to a third party. The commitments above are not shown net of any expected sublet income.

Finance lease commitments

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	2018	2017
	£'000	£'000
Within one year	**224**	198
Between one and two years	**244**	192
Between two and five years	**96**	190
	564	580
Future finance charges	**(37)**	(26)
Present value	**527**	554

23 Commitments and contingencies (continued)

The present value of finance lease liabilities is as follows:

	2018	2017
	£'000	£'000
Within one year	223	186
Between one and two years	216	185
Between two and five years	88	183
	527	554

Capital commitments

	2018	2017
	£'000	£'000
Contracted for but not provided	3,611	-

24 Related party disclosures

Three of Accrol Group Holding plc's shareholders, Majid Hussain, Wajid Hussain and Mozam Hussain, each hold one third of the shares in Phoenix Court Blackburn Limited. Phoenix Court Blackburn Limited owns the commercial property leased by Accrol Papers Limited and charged rentals of £1,751,000 in the year (2017: £1,744,000).

As at 30 April 2018 and 30 April 2017, no amounts are owed to/from related parties.

25 Ultimate parent company

The parent company is Accrol Holdings Limited. The ultimate parent undertaking and controlling party is Accrol Group Holdings plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Consolidated financial statements for the group headed by Accrol Group Holdings plc group can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

26 Subsequent events

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 stability for the Company and Group.

27 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 Income Statement and the Statement of Changes in Equity for the year ended 30 April 2017, and the 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 £426,000 and to reduce profit after tax for the period ended 30 April 2017 by £426,000. There is no impact of the restatements on net assets as at 30 April 2016.

The nature and effect of the 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.

Summary
A summary of the combined impact of the prior year adjustments on the Income Statement for the year ended 30 April 2017 and the Statement of Financial Position as at 30 April 2017 are as follows:

Consolidated income statement for the year ended 30 April 2017

	30 April As published £'000	Revenue recognition £'000	Carriage costs £'000	30 April Restated £'000
Revenue	135,053	(890)	-	134,163
Gross Profit	37,929	(267)	(265)	37,397
Operating Profit	13,099	(267)	(265)	12,567
Profit before tax	12,858	(267)	(265)	12,326
Tax	(2,333)	53	53	(2,227)
Profit after tax	10,525	(214)	(212)	10,099
Adjusted EBITDA	16,082	(267)	(265)	15,550

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2018

27 Prior year restatement (continued)

Consolidated statement of financial position as at 30 April 2017

	30 April As published £'000	Revenue recognition £'000	Carriage costs £'000	30 April Restated £'000
Inventories	14,358	623	-	14,981
Trade and other receivables	24,586	(890)	-	23,696
Trade and other payables	(25,276)	-	(265)	(25,541)
Income tax payable	(797)	53	53	(691)
Net assets	29,089	(214)	(212)	28,663